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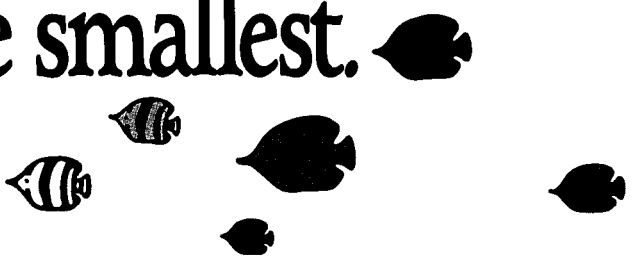

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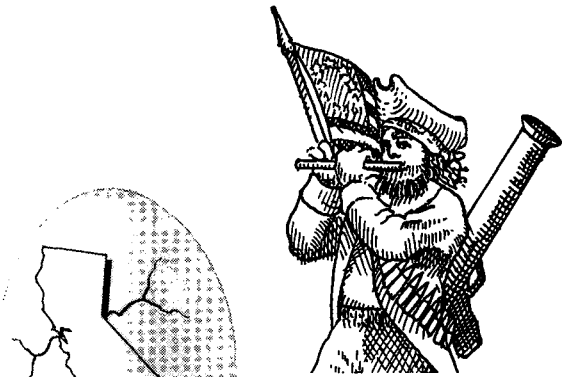

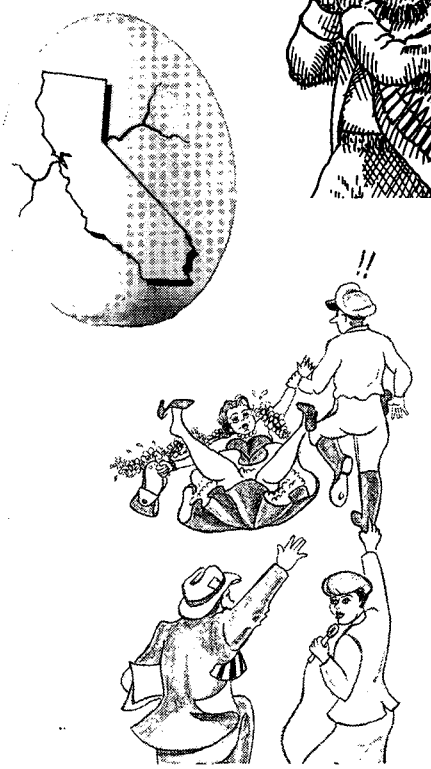

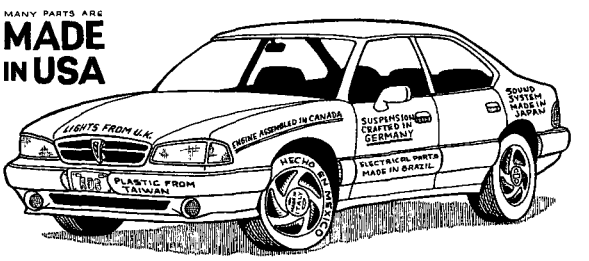

Cover illustration by Polly Powell

Publisher, Thomas R. Hoeber; **Editor,** Richard Zeiger; **Managing Editor,** A.G. Block; **Associate Editor,** Danielle Starkey; **Circulation,** Sheryl Wood; **Production Coordinator,** Patricia L. Tweten, **Art Staff,** Scarlet Hong, Merijune Tokuno; **Staff,** Theresa Page, Hope Tuttle; **Washington Correspondent,** Larry Liebert; **Interns,** Maaria Khamis, Bénédicte Raybaud, Nick Compin, Leslie Wright, Kari Zimmerman.

Advertising Representative: Media Marketing (916) 452-3242

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CALIFORNIA JOURNAL is a non-partisan, non-ideological analysis of California government and politics established in 1970. The *Journal* is indexed in Public Affairs Information Service, New York Times Information Bank, Sage Urban Studies Abstracts, Urban Affairs Abstracts, and California Periodicals Index. *California Journal* (ISSN00081205) is published monthly. Subscription rates: Libraries and Government Agencies, $49.00; Corporations and Associations, $95.00; Special Individual rate, $32.00. Address all inquiries to California Journal, 1714 Capitol Avenue, Sacramento, California 95814. Telephone (916) 444-2840.

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UP FRONT

Leo McCarthy has had enough. After 33 years of public service, the three-term lieutenant governor has said that he plans to call it quits at the end of his current term in 1994. McCarthy said he will not run for any office — re-election, Senate or mayor of San Francisco — a decision that comes on the heels of a second defeat for the U.S. Senate. Last June, he lost the Democratic nomination to Congresswoman Barbara Boxer. Four years ago, he lost the general election for U.S. Senate to then-incumbent Pete Wilson.

McCarthy's lengthy career has spanned five decades. The 61-year-old native of New Zealand began in 1959 as a legislative aide to then-state Senator Eugene McAteer. He was elected to the San Francisco Board of Supervisors in 1963 and served until 1968, when he was elected to the first of seven terms in the Assembly. McCarthy was speaker of the lower house from 1974 to 1980. In 1979 McCarthy began to lay plans to run for governor. And it was then that his leadership was challenged by then-Assemblyman Howard Berman of Los Angeles, prompting a grueling speakership battle that lasted several years and was fought out in Democratic primaries as well as in the halls of the Capitol. The end came after the 1980 elections when the Berman forces seemed to have elected enough of their own to capture the speakership. But the remaining McCarthy loyalists joined with Republicans to select another Democrat — Willie Brown Jr. McCarthy left the Assembly two years later, moving on to be elected lieutenant governor in 1982. He was subsequently re-elected in 1986 and 1990.

After leaving the Assembly, McCarthy drifted. His view of lieutenant governorship as a holding tank seemed confirmed by his striving for another post in years when he enjoyed a free ride — a striving frustrated at the polls in 1988 and 1992. When it came to running for the U.S. Senate, Leo McCarthy seemed everyone's second choice.

GOP State Senator Bill Leonard always likes to cultivate his constituents in the Inland Empire. So, after Mark Takano won a Riverside congressional primary in the 43rd District, Leonard — ever helpful — sent him a congratulatory letter and a copy of several Senate Republican staff reports to use "in whatever way you find beneficial." Leonard then told Takano that he looked forward to working with him and wished him success in the fall. Leonard's attention to Takano may not sit well with Ken Calvert, however. You see, Calvert won the 43rd District Republican primary. Takano — recipient of Leonard's good wishes — won the Democratic primary.

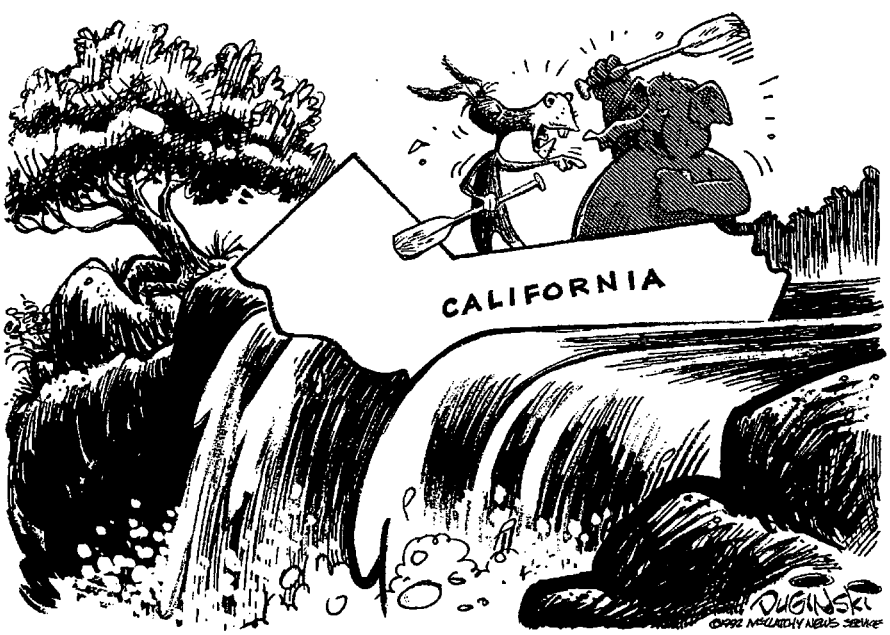

Illustration by Paul Duginski

Imagine explaining THIS to your foreign friends: First, a billionaire businessman with big ears decides to run for president but never declares his candidacy. Then the businessman, who used to go by the name "H. Ross Perot" but changes it to "good ol' Ross Perot" (the 't' is still silent), inspires millions of volunteers to work for him. These inspired millions collect enough signatures to place Perot's name on ballots across the country with astonishing speed, even though some are convinced he has a crazy aunt in a basement somewhere. Very few of them are put off by his statements that he plans to buy his way into office; indeed, this proves to supporters that he *does* have ideas and is unafraid to state them. Free publicity flows anyway, as talk-show host David Letterman says Perot can put the national debt on his Visa and buy the entire country matching .T-shirts.

Then, on July 16th, the undeclared candidate shocks everyone with the declaration that he *won't* declare his candidacy. But his announcement leaves him room to change his mind and to return to his original non-declared status. His supporters (and a few enemies) pray for this.

A few questions remain: Since he has collected enough signatures to get on the California ballot, will his name be on the ballot anyway? Does he have any aunts?

No, his name will not be on the ballot — unless, of course, it will be. The secretary of state's office is still studying the elections code. Perot supporters *did* turn in a sufficient number of signatures to get his name on the ballot, but that wasn't all they had to do. The 54 people whose names appeared on the petitions as electors must declare their candidacies, but they haven't done so yet. The deadline for this is August 7th.

One thing *is* clear: It must be those same 54 people who were on the petitions, and not just anyone. That means that none of the 54 people can drop out. "We do not expect the 54 will declare their candidacy. But if they do so by August 7th, that's a different story, and we'll decide at that point what happens," said Melissa Warren, spokes-

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woman for Secretary of State March Fong Eu. "We're still looking at the elections code, and the decision at this point is he will not be on the ballot."

Does John Vasconcellos miss Bill Baker? Vasconcellos is the long-time Democratic chairman of the Assembly Ways and Means Committee. Until last year, Baker was the committee's vice-chairman and thus its lead Republican. Now, the liberal Vasconcellos and conservative Baker are about as far apart as two pols can be when it comes to spending priorities. But Baker was a whiz who understood how budgets work and was smart enough to know when to cut a deal to move the process along. When Bill Jones succeeded Ross Johnson as Assembly minority leader last year, he replaced Baker as Ways and Means vice-chairman with Cathie Wright of Simi Valley. Wright has been in the Assembly since 1980 and a member of Ways and Means for several years. One would think she'd know her way around. At least, one would think she'd know the difference between "budget language" and "supplemental language." (Budget language has the force of law and says what must be done; supplemental language has the force of a resolution and says what *ought* to be done.) But in the middle of a conference committee hearing on the budget — the *third* such conference committee this year — Wright had to ask the difference. A clearly frustrated Vasconcellos explained.

"Parliament is not a congress of ambassadors from different and hostile interests ... but a deliberative assembly of one nation with one interest, that of the whole ... You choose a member, indeed; but when you have chosen him, he is not a member of Bristol, but he is a member of Parliament."

— Edmund Burke

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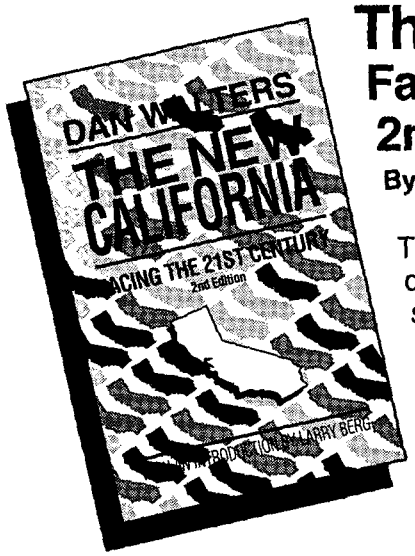

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Yankee Doodle Dandies ... or Doodle Duds?

The California Militia awaits the call

Illustration by Pierre Babasin

By Margaret Miller

The militia brigade inside the Sacramento armory on an April Saturday looks a little uneven. Five men and one woman stand at attention, then sneak looks at their high-laced boots and reposition their heels. Like the Army tank parked next to them, they are camouflage green. Another few men fall in, and they re-adjust the line. Stage whispers tease out a few furtive smiles. The group grows to 13.

Their ages range from early 30s to 60s, their figures from trim to paunchy. But from the brown tee-shirt under their camouflage fatigues down to their hyper-shined boots, they dress identically. And from the lapels of several uniforms dangle little plastic boxes containing the earplugs they might use on a firing range. But this unpaid, all-volunteer militia carries no guns.

Defended by its members as the honorable heir of the Minutemen legacy and criticized by outsiders alternately as a haven for right-wing mercenaries or pansy wanna-bes, the little-known California State Military Reserve is fighting for a mission. And since it's never been called up, this is the only fighting the 750-member militia ever does.

This tiny band of citizen soldiers is a well-insulated anachronism. But every few years, it scores a hit on both the Legislature and the State Military Department, which theoretically oversees it. Authorized by an arcane 50-year-old law, the militia has a budget so small that it manages to fly under the Legislature's radar. Year after year the militia survives, largely because the legislative debate to kill it would cost more than the pittance it gets from the Assembly Ways and Means Committee.

This year the militia is asking for only $189,000 to defray administrative costs, but the subcommittee in charge of its budget doesn't think the state gets much of a return on the investment and has transferred the money to homeless shelters. Even if the militia loses its budget, members vow they will carry on, with dues and donations if necessary.

"A lot of people see us as a group with no trucks and no equipment," says Ronald Markarian, the militia's highest-ranking officer. "But here you have a National Guard with those resources and in a national emergency, I begin to see that equipment coming into our hands — and we'll show them we can make a significant response."

Margaret Miller is a reporter for the Seattle Times. *She wrote this story as a graduate student at UC-Berkeley's School of Journalism.*

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Members argue that cuts in the National Guard enhance the militia's potential contribution to the state. They are unpaid, they buy their own uniforms (up to $600 for the optional formal wear alone), and even shoulder the cost of business phone calls and stamps. But as it stands now, the militia is little more than a bonding exercise for men and women who like to wear uniforms.

The latter-day Minutemen in the armory stand at ease while the day's schedule is explained, then lower their eyes for a prayer charging them to "uphold freedom and justice."

Looking down on the little group from a balcony above the tank is Erik Moller, a trim, mustached militiaman visiting from a neighboring unit. His reasons for joining the militia are common to many members. He likes the military; he appreciates its order and camaraderie. And Moller misses the full-time Army life he led before a medical discharge cast him into the civilian world. Since then, the militia has filled a void, if imperfectly.

"The soldierly duty, in its most basic sense, is to wage or support conflict. So yes, in our hearts, we all want to be soldiers," Moller says. "I've seen a few Rambos here in my time — I call them the Walter Mittys — they have no avenues for their fantasies, and they just come off as milquetoast Mittys." Asked if the Mittys cause problems, he shrugs. "They can wear the uniform — and their fantasies are their own."

Chartered in 1942 when a nation at war scanned its shores for Japanese submarines, the militia officially stands behind the National Guard as the state's last defense. And what a last stand theirs would be. Originally conceived to channel the enthusiasm and talent of former military personnel, the militia is now a collection of military retirees, people whose health makes them ineligible for regular service, and those who, short on commitment for regular service, have paramilitary fantasies.

If mobilized, militia members would be authorized to keep the peace, but they have no riot-control training. They would be authorized to defend the bridges, but they have no guns. In the ridiculously unlikely event the governor called a draft for state defense, the members, who now attend monthly eight-hour drills, would themselves undertake the training of a new force of up to 20,000. In the meantime, they busy themselves waiting.

After a 1990 assault from liberal legislators and citizens who complained that an armed and poorly supervised militia poses a threat to civil liberties, the militia command renounced all weapon and crowd-control training. Official authorization for use of force, however, remains on the books. After all, this tiny army is supposed to take over the National Guard's facilities and duties if the Guard is fully mobilized. The Catch-22 is confounding: Weapon training for a loosely structured group is inappropriate, but without such training, its mandate is unfulfilled and its existence unjustified.

The response by members raises disturbing issues. Those who want anti-terrorist, riot or weapon experience find it at private boot camps and fund it out of their own pockets. In a worst case scenario, militia members unevenly and self-trained could, with the blessing of the California Military and Veterans Code, take on riot control or combat roles.

State militias are a considerable headache for many of the other 26 states that have them. Utah Governor Norman Bangerter disbanded that state's militia in 1987 when he discovered it included members of the white-supremacist group Aryan Nation. In 1990 the Virginia Legislature gutted its militia when it learned brigade members were pooling their own money to buy a tank.

Well aware of this potential for abuse, leaders of California's militia seem to be scrambling earnestly to define limited and realistic missions. But in interviews up and down the ranks, members always described appropriate training with conditional verbs: We *could* prepare for quakes; we *could* prepare for fires; we *could* do drug education. But despite an annual investment averaging $250,000, which pays two administrators and defrays office and travel expenses, the militia still isn't prepared for anything.

At the top of the military command, there is a strong disagreement about what the militia's mission should be. Ronald Markarian, the number-two man, is a cold warrior with an aggressive vision for expanding the militia's numbers and responsibilities. He says increasing recruitment is his top priority, and he talks excitedly about moving into "drug demand reduction" and "natural disaster first response."

Markarian's former boss at the State Military Department, however, disagrees. Former Adjutant General Robert Thrasher, a Governor George Deukmejian appointee who recently resigned his post, had been the person who coordinates the National Guard, the reserves and the militia. He insists the militia will not grow and that its missions will be limited to logistic support for the Guard.

While Markarian plots for the militia to become a first-response segment of Federal Emergency Management Agency disaster planning, Thrasher proposed using militia members to file National Guard personnel promotion records.

At the Sacramento brigade drill, militia members are clearly interested in something more than filing. Bill Davis, the leader of this brigade, is a retired Contra Costa marshal who served 27 years in the Army reserve. He is a broad man

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with a graying flattop and gentle smile.

Davis conducts the day's first briefing standing at the head of a conference table littered with papers. Around him, militia members flip through little books with camouflage covers. Many of their hands sport big rings and heavy watches with lots of little dials that clank against the table when they turn pages.

Before he manages to get into the day's agenda, Davis indulges the group's need to gripe about minutiae. Several members who finished their non-commissioned officer training last year still don't have certificates. "We have nothing to pay you folks but promotions or awards and ribbons," he says apologetically and promises to look into the matter.

One middle-aged man, who sits particularly straight and whose uniform is particularly crisp, holds up the illustrated chapter on uniforms in 1983 Manual 600-10. He has a complaint. Since brigade members did agree to wear their sleeves rolled from April 1st to October 1st, he says, glancing conspicuously at two who haven't, shouldn't they all learn the right way to do it?

The comment hits an exposed nerve and the discussion digresses into fashion. Davis gives the group some latitude to argue, then abruptly cuts it off. His big Masonic ring clacks against the table as he spreads his broad hands flat and leans over, leveling his blue-gray eyes at the suddenly still faces in his brigade. He reminds them that although he personally opposed the vote to wear their sleeves up, he had his up and wouldn't everybody else please get in line?

During a briefing on an upcoming toxic spill simulation, Cheryl Lane, a landscaper, proposes that every militia member bring along a five-pound bag of flour to sprinkle around as a simulated decontaminant. When Davis frowns and says the flour would make a mess, she blows him a raspberry. A few members laugh into their hands.

Other members want clarification on the equipment they can bring to the exercise. They've been forbidden to bring weapons, but several want to bring knives. Richard Grossman, a thick-set Walnut Creek police officer, tries to clarify the matter, saying, "no long knives." But Davis amends that tersely, "It's pretty clear. [The staging memo] says no knives, and that should answer it." Then Lane loudly says she intends to wear her ammo bag, "I always carry an ammo bag. It's always filled with trail mix."

The history of California's militia is riddled with clashes between this kind of enthusiasm for military trappings and sanctioned objectives.

Markarian calls the militia "California's best kept secret," which seems a small irony coming from a man who claims he pays his Minutemen with prestige in lieu of money. Making a name for itself has been an elusive goal for the militia: No matter that it's never been mobilized even once in its 50-year history, it has changed its name six times.

Once, under Pat Brown's governorship in 1965, the National Guard Reserve, as the militia was then known, was entirely disbanded. Militia fact sheets attribute the demise to cutbacks in its parent organization, the National Guard. But former Adjutant General Thrasher tells a different story. He says the Guard nailed the coffin on the militia when officials discovered militia members were keepin intelligence files on over 200,000 "subversive" individuals, including black Muslims and college activists.

Militiamen stashed the unauthorized intelligence profiles in a makeshift library hidden in the San Diego National Guard Armory. These "Fisher Files," masterminded by militia commander George Fisher, created an uproar in the National Guard that was matched in the Legislature when several Assembly members discovered they were among those investigated.

In 1990 the Virginia Legislature gutted its militia when it learned brigade members were pooling their own money to buy a tank.

Soon after the scandal broke, the Legislature dissolved the militia, but its legal mandate remained in the state's Military and Veterans Code. A decade later, a swell of volunteer enthusiasm gave birth to another incarnation of the militia. And once again, that same enthusiasm created a string of headaches for the State Military Department and the Legislature.

Jerry Brown was running the state when the militia was reorganized as the State Military Reserve in 1976. Frank Schober, who would become the revamped milita's first commander, says interest in reactivating it began with a group of influential retired military men.

"I was always amazed when I went around the state talking to veterans groups ... sometimes you get the feeling that the only worthwhile thing they did was be in the military," he recalls. "So there was this desire to get back into a military framework, and someone noticed [the authorization for a militia] was still on the books. So it was like, 'Let's create a State Military Reserve.'"

There are no indications that then-Governor Jerry Brown had any particular interest in the organization, but its grassroots energy and low-cost profile did mesh with his political philosophy.

Schober's appointment to the commanding post was no accident, either. Schober, it turns out, was Brown's resident adviser back in their college days together at the University of Santa Clara. "He was generally anarchic," Schober remembers. "But he was a remarkably interesting person. He had this conservative side and this liberal side. And he knew his military history. We had long conversations about military strategy and tactics."

After graduation, the two men took very separate paths, but kept in touch through a mutual friend. After appointing Schober, Brown had little contact with the milita, except for one memorable visit. "I got him to fire a rocket launcher," recalls Schober. "And he got a first-round hit. Maybe it was his Jesuit training. He has an idea of order."

According to militia members, those early days had their share of growing pains. "A lot of people who got into it were wanna-bes," says Schober, "They wanted to wear uniforms and march around. I guess they weren't too interested in contributing."

The State Military Department, which takes its orders

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from the governor's office, is still ambivalent about the militia. As much as it might like to take advantage of volunteer help, the department is periodically embarrassed by its unruly stepchild. The curse of having a decentralized cadre of unpaid volunteers is that it is hard to control. But like legislators who oppose the militia, the State Military Department has found it's easier to permit the militia to live quietly off Army surplus than to spend time trying to disband it.

The Guard nailed the coffin on the militia when officials discovered militia members were keeping intelligence files on over 200,000 "subversive" individuals, including black Muslims and college activists.

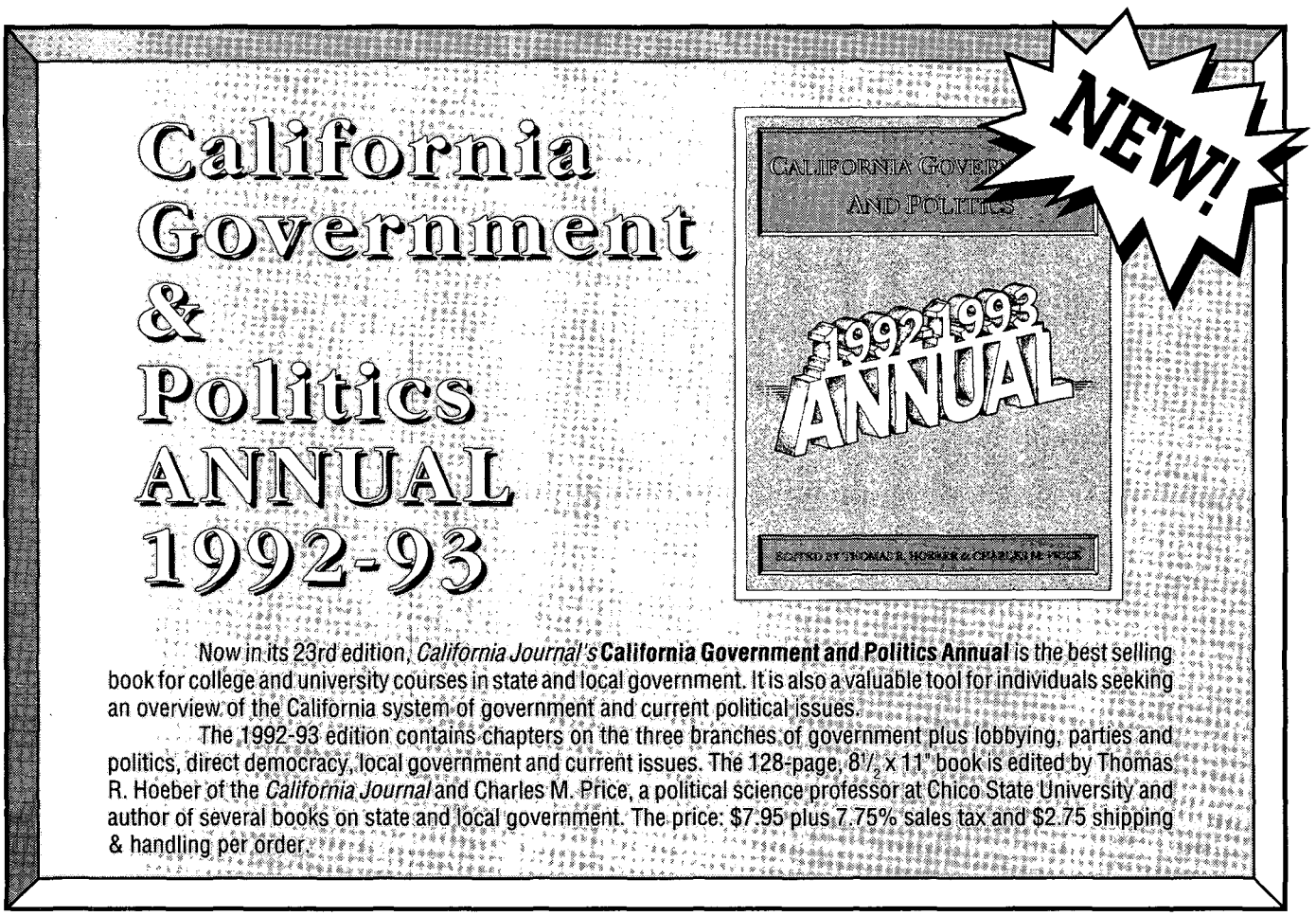
Major Bruce Roy, a public affairs officer with the Air National Guard, is quite explicit about the seemingly inevitable problems created by the militia's simultaneously casual and militaristic charter.

"Finally it comes down to a level of accountability and control. The militia is a from-the-bottom-driven-up dream, not from-the-top-driven-down requirement. Obviously something like that could be fraught with peril despite the best intentions... You've got a lot of guys saying, 'Wouldn't it be a great idea if we...' Putting myself in the shoes of a militia guy, I've got to admit I'd want something to sink my teeth into, I want to do, do, do —if I'm a cop, I want to do cop things [in the militia], but there have to be limits."

Those limits were sorely tested in the late 1980s, when a journalist began investigating militia training. After more than a year of interviewing, Ed Connelly, who has since made something of a career researching state militias nationwide, published a series of damning articles in the *San Francisco Bay Guardian* detailing a wide range of the militia's unchecked activities.

Connelly discovered that the militia was staging secret war games in national forests with riot batons and M-14 rifles. After one such exercise, a unit gave the title "honorary major" to a visting editor from *Soldier of Fortune* magazine for his participation. In addition, Connelly learned another survivalist magazine, *American Survival Guide,* was running recruitment ads for the militia.

For a brief time, Connelly's work put the militia under legislative scrutiny. Few legislators knew California even had a militia, and Democratic Assemblymembers Maxine Waters and John Burton were angered to learn that it was so poorly supervised. In particular, they objected to the militia's mission statement "to provide security against terrorist activities, sabotage and civil disturbance." To support that mission, the mobilization plan required members to report information about "activities designed to lead to actions or conditions detrimental to U.S. interests."



Now in its 23rd edition, *California Journal's* **California Government and Politics Annual** is the best selling book for college and university courses in state and local government. It is also a valuable tool for individuals seeking an overview of the California system of government and current political issues.

The 1992-93 edition contains chapters on the three branches of government plus lobbying, parties and politics, direct democracy, local government and current issues. The 128-page, 8½ x 11" book is edited by Thomas R. Hoeber of the *California Journal* and Charles M. Price, a political science professor at Chico State University and author of several books on state and local government. The price: $7.95 plus 7.75% sales tax and $2.75 shipping & handling per order.

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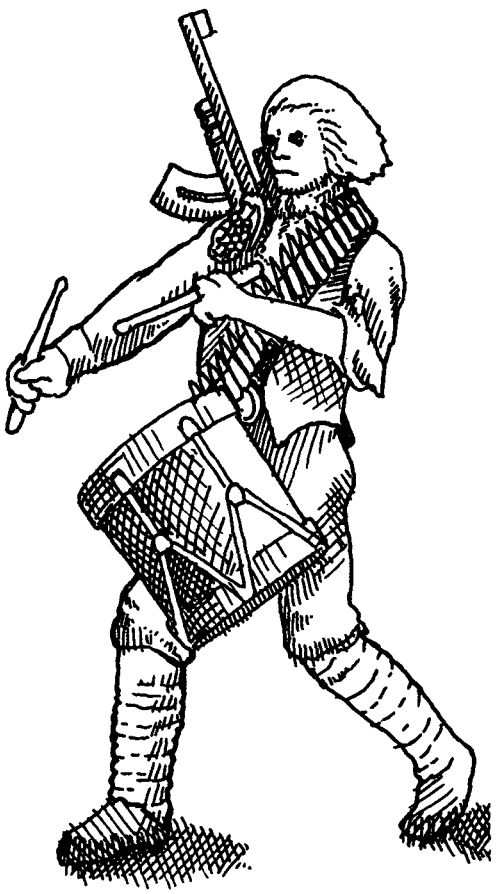
When these vague instructions raised the specter of the Fisher Files, the State Military Department, which is supposed to oversee the militia, scrambled to defend itself. In addition to confirming the unauthorized activities, the department inadvertently disclosed even more illustrations of loose oversight. Thrasher claimed the plan for civilian surveillance, for instance, was unauthorized and only "inadvertently" copied from National Guard manuals by "well-intentioned" militia members.

Threatened by an angry cadre in the Assembly with the loss of the militia budget, Thrasher promised legislators he would expurge unauthorized activities from training manuals and exercise tighter control over the militia's 40 decentralized units. Last spring, Thrasher claimed he had "purified" militia activities and membership lists. But at the April Sacramento training, the 1983 militia manual used to illustrate correct sleeve rolling was the very one that contained unauthorized mission objectives.



Back in the Sacramento armory, Richard Grossman, who directs the brigade's training, hands out fat little copies of "The Soldier's Manual of Common Tasks." In the absence of training materials on militia-specific skills, the brigade uses manuals scrounged from the Army and National Guard. This one comes from the Army and addresses topics from preparing missile launchers for firing, to throwing hand grenades, to tips on using the latrine while wearing decontamination suits.

Grossman reminds the group that not all of this manual applies to militia duties, but says it is "good basic information—everyone should have one."

Today's class is about SALUTE, an intelligence-reporting strategy designed to help soldiers give concise briefings on what they've seen. The acronym SALUTE is a crib formula to remind soldiers to report Size, Activity, Location, Unit, Time and Equipment. While the instructor reviews the theory, members scan the manual's SALUTE chapter. It includes helpful hints on correctly identifying airborne assault guns and distinguishing between old and new generation Soviet tanks. SALUTE is relevant to the brigade members, the instructor tells them, because their most likely contribution to any natural disaster situation would be communication support.

Following the introduction, one of the officers, Randy Shultz, is asked to sketch a hypothetical situation, which another will parse into the SALUTE format. After some head scratching at the chalkboard, Shultz writes: "100 troops sitting under trees, at [map coordinate] LG71229211, light weapons." Complaining that the set-up was too easy, the second man snaps out a SALUTE statement almost identical to the information given.

Shultz, though, is frustrated that no one saw the subtlety of his scenario. He suggests a little creative speculation is in order: "Well, they sound like ... Soviet specialist troops. And, say it's hot. If they're sitting under the trees, then they're resting."

Getting it, a comrade chimes in, "Yeh! Sounds like time for an attack."

Nodding, Shultz cheers, "Time for an airstrike!"

Before the exchange can go any further, their commander, Bill Davis, speaks up from his chair in the corner. The tired restraint in his voice makes it clear he's given this speech before. Hypothetical descriptions should have something to do with "a set-up that would happen in our neck of the woods," he explains again. As encouragement, he suggests a civilian earthquake scenario.

So Michael LePeilbet, a retired LA deputy marshal, steps up to the board to write: "Five people in civilian clothing, automatic weapons, demolition satchels, one block south of city hall in Holmberg, Germany." When the formulaic SALUTE response comes, LePeilbet expands, "I would call them SPEZNAZ [parachuting Soviet saboteurs]. They're obviously going for city hall, maybe to use the women to gain access, then [they'll] let the men do their job."

This time Davis shows his frustration as he rises to his feet and tightens the reins. "Now we've got to apply this to realistic scenarios," he says. Before he gets much further, the instructor interrupts with a quake-damaged bridge scenario. Davis shakes his head, stiffly picks up his stack of papers, and strides out of the room.

Out in the hallway, Davis stands with one foot propped on the banister overlooking the tank. Below him, a woman who recently joined his brigade is clambering up the Army tank to have her picture taken. Watching the scene, Davis explains his dilemma. It's hard, he says, to keep militia members focused on their soft objectives when the only training material they have comes from regular military manuals. Davis is keenly aware that in another tight budget year, paramilitary sensibilities make the militia budget harder and harder to defend to legislators.

The legitimacy of the militia depends, he says, on precisely what it now lacks: members who are well-trained for very specifically defined tasks. "I want to see it pick a direction and head that way," he says.

"There are people who want to see the missions grow into things like drug demand reduction, and I'd hate to see that until we get something more basic down. I say, 'Damn it, let's be proficient at something.'"

Roger Goodrich, a National Guard public affairs officer, dismissed Markarian's plans to expand the militia. "Markarian

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would like to be more involved in disaster relief." But, said Goodrich, Thrasher didn't want that involvement. Thrasher, he added, was responsible to the governor for emergency response, and the former adjutant general thought the militia's involvement would lead to chaos.

Ever since 1989, when the militia's unauthorized war games so embarrassed the State Military Department, Thrasher tried to limit militia activities to logistic support for the Guard. This includes, Thrasher says, clerical work, counseling to Guard dependents, and maintenance of the Center for Military History in Sacramento.

Asked why these soft missions need be carried out under a military pretense, Thrasher says, "Because people who are in the organization are often retired military and they like that kind of thing...It's like, why do we have the Boy Scouts? They like the uniform, they like the organization, the patriotism, the camaraderie—and it's authorized by law."

Indeed, the militia is authorized by law, but the force described by that 1940s law bears little resemblance to the benign fraternal organization Thrasher makes the militia out to be. Thrasher says, for instance, that arming the militia would be "inappropriate," but the Military and Veterans Code authorizes him to requisition the federal Department of Defense for militia firearms.

Other sections of the Code describe how those arms may be used. The militia "may continue in fresh pursuit of insurrectionists, saboteurs, enemies or enemy forces beyond the borders of this State..." And when called to "suppress an insurrection or rebellion, to disperse a mob... the commanding officer shall use his own discretion with respect to the propriety of attacking or firing upon any mob or unlawful assembly..."

When asked to reconcile Code passages like these with the decidedly unarmed militia, Thrasher says, "I would say the law is probably dated and perhaps you can put in some amendments, but in a worse case scenario, where would the governor turn in the case of rioting?"

As director of the Friends Committee on Legislation, Dan Galpern lobbied against the militia in 1990 precisely because of this potential for an under-supervised armed and poorly trained group of would-be soldiers to take up arms against civilians. The militia, he says, is defended as a benign club for retirees who want to serve in some way. "But the question is, 'What is the potential for them after mobilization?' That's what's really scary. The militia needs to be put in the context of the time in which they can expect to become operative — a time of wide suspension of civil liberties."

The year Galpern testified against the militia in budget hearings, an Assembly subcommitttee voted to deny its funding, but the Ways and Means Committee later restored the money. This legislative two-step happens every year, not because the militia has particularly strong foes or proponents, but because its tiny budget manages to slip by legislators. Finally, says Galpern, it would be more expensive to debate a law change to disband or even restrict the anomalous militia than simply to continue funding it.

Assemblywoman Cathie Wright is the lone Republican on the subcommittee that reviews the militia's funding, and like other lawmakers interviewed for this article, she confesses she just doesn't know much about the unused militia. "To tell you the truth, I haven't delved into it," she says. "It's not much money; it's just not a high priority. But certainly we need the military. Weren't they sent down to the LA riots?"

Even traditional defenders of military spending are critical of the militia. Art Krause spent 27 years in the Air Force and is now a Sacramento contract lobbyist for military bills. He says the milita should be disbanded. "I'm not a booster as an individual, no, and not as a taxpayer. When have they been used? Not once in 50 years."

Krause's low regard for the militia has a lot to do with dress codes and, he says, the organization's inflated ranking system: "I have to be very honest with you, as a career officer, I went to the officers club...and there was a [militia] colonel who I know was only a corporal in the Air Force. Why is he in the club I pay dues to, parading around as if he is real military? ... They'd like to be addressed as generals, but they're not generals. That really rankles me."

During the Sacramento brigade's lunch break last month, the fallout from these debates over the militia's legitimacy is tangible. "It was better in the old days," says Cheryl Lane, climbing into her truck on her way to lunch. "There was more spirit. We didn't expect any money, and now [when the budget is lowered] we miss it."

Lane has weathered multiple mission readjustments during her eight years in the militia. Soon after she joined in 1984, the militia received its first funding from the Legislature. A mixed blessing, the state money forces the militia to annually justify its budget and mission. "They should have left it alone to begin with," she says. "Now they say mobilization isn't top priority, they say we can't use guns now, we can't use batons — so what good are we?"

The rest of Lane's brigade is in a pub a block from the armory when the first newscast of the April 25th North Coast earthquake interrupts their meal. The uniformed men and women press around a big-screen TV to survey the damage, and the news spikes their day with a false excitement.

"Better keep your uniforms on," says a new recruit, expectantly. "This could be our turn."

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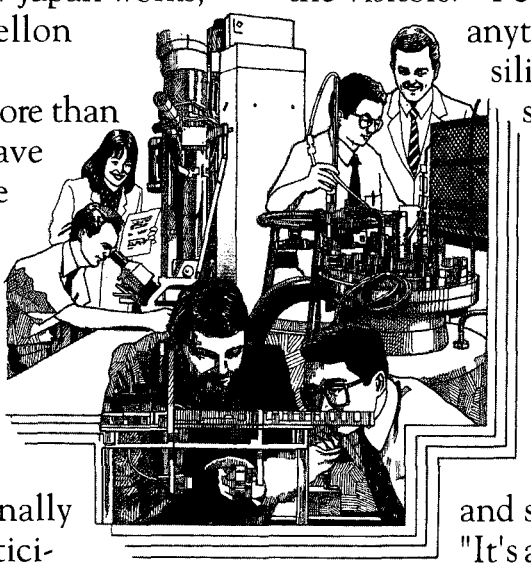
Where U.S. Researchers Find a Home Away From Home In Japan

Researchers are adventurers at heart. So it's no surprise that when Hitachi invited materials scientist Dr. Joseph O. Artman to spend six months this year working at its Central Research Laboratory (HCRL) in Tokyo, he eagerly accepted. "It gave me an opportunity to work in a new area, magneto-optics, and to see for myself how Japan works," recalls the Carnegie Mellon University professor.



Dr. Artman is one of more than 40 U.S. scientists who have worked in Japan over the last six years as participants in Hitachi's Research Visit Programs (HIVIPS). The programs aim to advance science through collaborative research and to enrich participants' lives personally and professionally. Participants work side-by-side with Hitachi scientists on basic problems in electronics and information systems.

For Dr. C.A. Cain, chairman of the University of Michigan's Bioengineering Program, HIVIPS proved a welcome sabbatical. "For the first time in years, I was able to pursue new ideas without interruption," he says. "In my time there, I basically defined my research directions for the next five years."

HIVIPS participants were struck by the effort to make them feel at home in Japan. "One of the nicest things about the program was the friends I made," says Dr. Cain. "We still do joint research and exchange visits," he adds.

HCRL's research facilities impressed the visitors. "I could do just about anything to a piece of silicon that I wanted to," says John Snyder, a Stanford University doctoral student in electrical engineering, who worked on a new kind of transistor. The visitors also appreciated the natural beauty of HCRL's campus,with its goldfish-stocked lake and sheltering woodlands. "It's an oasis of calm in Tokyo," says Dr. Cain.

Hitachi is proud to sponsor the HIVIPS program. We believe that it can make a significant contribution to science, to its participants' lives, and to a better understanding between the U.S. and Japan.

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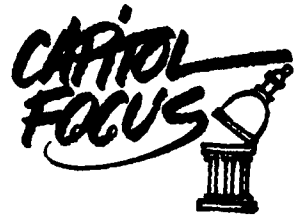

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All The King's Horses ...

The longshot bid to split California

photo by Rich Pedroncelli/photo manipulation by Patty Lyn Tweten

By CHARLES PRICE

Across the globe, political change has come with dizzying speed in the past decade. Gone are the Soviet Union, Yugoslavia and Czechoslovakia, replaced by more than a dozen new nations. Closer to the United States, the province of Quebec is agitating to secede from Canada and form a new, independent nation on our northern border.

Now add to this the movement led by indefatigable Republican Assemblyman Stan Statham of Oak Run to divide California.

Why divide the state? Statham contends that citizens are intensely frustrated by the gridlock of our present government. "I am proposing a solution. It may not be a perfect solution — but it is worth trying. If you are trying to do a job that is too much for one person, doesn't it make sense to split the job? It is inevitable that we divide."

Charles Price is a professor of political science at California State University, Chico, and a frequent contributor to California Journal.

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North California

Population	2,350,725
Budget	$3.6 billion
Number of counties:	28
Number of states in the U.S. with smaller population:	17
Number of states with smaller budget:	24

Central California

Population	10,146,200
Budget	$15 billion
Number of counties:	22
Number of states in the U.S. with smaller population:	42
Number of states with smaller budget:	47

South California

Population	17,853,900
Budget	$27 billion
Number of counties:	8
Number of states in the U.S. with smaller population:	48/49
Number of states with smaller budget:	48/49

ALTERED STATES

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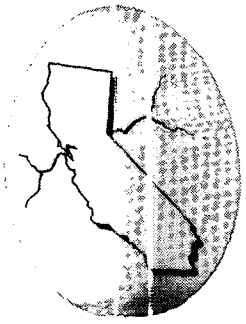

More Northerners Than Southerners Wanted to Split the State

Republican Assemblyman Stan Statham's original plan to divide California in two was modified to a three-way split mainly to gain legislative support from Californians in the Central Valley who didn't want to be grouped with Los Angeles. Each of the three states (see map) would be roughly equivalent in per capita fiscal resources so that, for example, Marin County, generally associated with San Francisco, would be in Northern California while San Francisco would be in Central California.

In June, 31 counties voted on the two-way division. Below are listed the counties ranked in order of approval for the idea.

80 percent plus:	70 percent plus:	60 percent plus:	50 percent plus:	less than 50 percent:
83 percent: Modoc	79 percent: Trinity	68 percent: Placer	59 percent: Calaveras	47 percent: Solano
81 percent: Siskiyou	76 percent: Lassen	66 percent: Mendocino	56 percent: Amador	47 percent: Mariposa
80 percent: Glenn	76 percent: Tehama	66 percent: Sutter	55 percent: Tuolumne	37 percent: San Francisco
	76 percent: Colusa	64 percent: Del Norte	54 percent: Inyo	35 percent: San Mateo
	73 percent: Shasta	64 percent: El Dorado	54 percent: Lake	
	71 percent: Sierra	63 percent: Alpine	51 percent: Napa	
	71 percent: Plumas	63 percent: Nevada	51 percent: Yolo	
	70 percent: Butte	62 percent: Mono		
	70 percent: Yuba			

Statham's is but the latest in a long series of failed split-the-state proposals. While virtually all of the proposals generated in the last 50 years have been launched in the rural north because of southern dominance at the Capitol, earlier this century it was *Southern* California political leaders who wanted to divide the state because the government was then controlled by *Northern* interests. Other, recent divide-the-state proposals include:

• **(1941) The State of Jefferson.** This was an effort of some local officials from California's northern-most counties to secede and join with southern Oregon counties to form the new state of Jefferson. The outbreak of World War II cut short this attempt.

• **(1965) The States of Northern and Southern California.** This was state Senator Richard Dolwig's plan. His proposal called for dividing the state at the Tehachapi Mountains at the southern end of the San Joaquin Valley. Intriguingly, cities in the south, such as Santa Barbara and Bakersfield, would have been part of Northern California under this plan.

• **(1970) The states of Eastern and Western California.** This was Democratic (formerly Republican) state Senator Randolph Collier's plan to divide California into two states: the western-urban-coastal; and the rural-interior.

• **(1974) The state of Mendocino.** This was the plan of Robin White and several northern local politicans to divide the state north of San Francisco and Sacramento with the northern portion being called Mendocino.

• **(1978) The state of Alta.** This was the proposal of Democratic state Senator Barry Keene, who, in effect, resuscitated the old Dolwig concept.

• **(1850-?) The state of Nevada.** This has been the long-shared dream of some Lassen County officials. They want their county to divorce California and marry Nevada. Indeed, Peter Lassen, namesake of the county, had formerly served as governor of Nevada. Locals contend with some justification that Reno and Carson City are much closer to Susanville in heart and geography than is Sacramento — particularly in winter months.

Given the previous failures of dividing California, few took seriously Assemblyman Statham's October 1991 call to divide the state. Some viewed the

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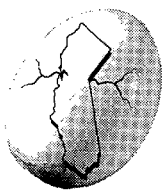
proposal as mainly a warning that rural Northern California was hurting. Indeed, several northeastern counties (Butte and Lassen in particular) face imminent bankruptcy, and most of the others are fiscal basket cases. Rural county officials have bitterly assailed state mandates imposed on them by distant Sacramento pols as the cause of their financial plight.

Others viewed the Statham proposal as a tongue-in-cheek effort to garner some favorable publicity for the veteran assemblyman. After all, for years the plaque on Statham's Assembly office door had read, "Assemblyman Stan Statham, representing the 51st state." Finally, some viewed the Statham plan as a cynical waste of time, diverting attention from California's "real" problems — budget, race, unemployment, water, health care, *ad infinitum.*



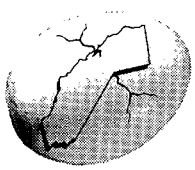
Following up on Statham's call for division, the Assembly Office of Research drafted a report to explore the feasibility of the break-up. The report noted, "The state's massive population (nearly 31 million people, followed by New York with 18 million) and geographical size which, in turn, complicate the efficient governing of California as a single unit, is the best argument for splitting the state."

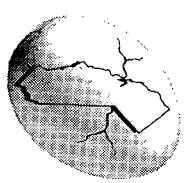
There are two other advantages to division, according to the AOR. One would be to provide California, now grossly under-represented in the U.S. Senate, with two additional members. Another would be to reduce the number of people legislators represent, allowing them to be more attuned to their constituents. (Of course, the present Legislature's size could be doubled or quadrupled, or it could be made unicameral, and it would achieve the same objective of fewer people per election district — without dividing the state.)

Statham's calls for secession initially were met with a strong surge of support in northern counties. The state budget crisis, northern counties' fiscal distress, the Los Angeles riots, environmental restrictions, along with fears of ever-more millions of gallons of water being "expropriated" from Northern California and shipped southward, contributed to their receptiveness. Also, many of the same sentiments that propelled the Ross Perot presidential boom and the anti-incumbent, pro-term limits movements overlap into the divide-the-state, protest effort.

Under the federal Constitution, a state can be divided if the state legislature affected and Congress consent. The single exception to this rule, Texas, an independent nation upon its annexation to the United States, was given the subsequent right to divide into as many as five states if it so chose. Historically, Vermont was carved out of New York, Maine from Massachusetts, Kentucky from Virginia. Of course, all of these splits occurred long ago in the 18th and 19th centuries.

In order to get the state Legislature to approve a split, particularly given the fact that so many legislators represent Southern California constituencies fearful of a cut-off of northern water, Statham decided to apply ballot box pressure. Thus, county boards of supervisors were asked to place a non-binding advisory referendum on their ballots, asking voters whether they favored division. After six months of intense effort, Statham and his staff were able to persuade 31 (out of 58) counties to put the division question on the June 1992 ballot. In eight of these counties a follow-up question was added: If the state were divided, in which portion would you prefer our county to be?





Humboldt was the only far northern county that did not vote on the division question in June. Statham said, "Four of the supervisors in Humboldt County are Democrats, and they saw this as a Republican plot. In San Bernardino County [another non-participant in the referendum], supervisors saw this as a Willie Brown Democratic plot and kept it off the ballot. So, this obviously means that there are some serious DNA deficiencies on these two boards of supervisors." It is important to note that no southern and only some central California counties had the division vote on their June ballots.

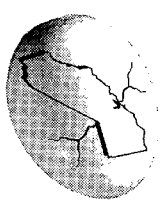
To win converts to his cause, Statham hit the media circuit this past spring. He was on nearly 50 radio talk shows (mainly, but not exclusively, in this state), was interviewed on some 25 radio and television shows — including the Home Shopping Network — and his divide-the-state proposal was featured in all of the state's major newspapers and many smaller papers. The concept also has been of interest in foreign newspapers, such as Japan's *Asahi Shimbun* and the *London Times*, as well as Radio Free Europe and the BBC. Dividing the state has been discussed on Rush Limbaugh's nationally syndicated talk show and has provided monologue patter for Jay Leno on "The Tonight Show." Statham also has hired the Stoorza, Ziegaus and Metzger public-relations firm to assist in the effort.

In all, 27 of 31 counties voted in support of a state division.

While most Northern Californians strongly supported division, the 20 northern counties that gave at least 60 percent to the proposal constitute only about 4 percent of state voters. Support dwindled in southern counties.

After reviewing the 31 county voting results in June, Statham decided he had to modify his north-south split into a three-way division of Northern, Central and Southern California. Statham was convinced that Bay Area, Wine Country and San Joaquin Valley counties that had either narrowly approved or voted against separation did so mainly because they did not want to be lumped together with Southern California.

After the vote of the counties, Assembly Speaker Willie Brown announced the formation of a select committee to Divide the State to be chaired by Statham to include Republican colleague David Knowles and Democrats Lloyd Connelly, Jack O'Connell and Dick Floyd. The select panel will draft a joint resolution to divide California into three states



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generally along the guidelines Statham proposed. Each of the three states would be roughly equivalent in per-capita fiscal resources.

If approved by the Legislature, the division resolution would be placed on the next statewide ballot. If a majority of voters approve, Congress (both houses) would then be asked to give approval to the three-state division. Once this happens, constitutional commissions would be established in the three Californias to draft constitutions, determine the size of their state legislatures and whether term limits should be imposed, decide on the name of their state and select a capital site. The very earliest this could occur would be in 1995.

Statham believes that his chances of getting a favorable legislative vote will be enhanced by the fact there will be many freshman legislators elected this November. Moreover, state cutbacks in local government funding because of the budget crisis should further fuel secessionist sentiment. Additionally, Speaker Brown has for years supported dividing the state. Brown stated in a recent *Sacramento Bee* article, "It's [d vision] the only shot I got at governor. I know I don't have a fair shot in Orange County."

Notwithstanding these factors, it will be *very* difficult to get both houses of the Legislature to approve by majority vote the select panel's division maps. Statham's hope is that ambivalent legislators may be persuaded to vote for the resolution because it would have to be submitted to the electorate for majority approval before going to Congress. Certainly, most, but not all, of the handful of northern legislators would be supportive, but whether central and, in particular, southern legislators in sufficient numbers would vote to approve what Statham describes as a "no-fault divorce" is highly questionable.

If the proposal were approved by the Legislature and went on a statewide ballot, most citizens in rural Northern California would be supportive, though some who voted for the split previously as a way of protesting might pull back if they thought it had a chance of succeeding. Statham is convinced that many Central and Southern Californians would be supportive. "If there is any place in the United States that needs to have a new state government so that it can get special attention for all of its internal problems, it is Southern California. They need a legislature all of their own and two U.S. senators who can concentrate 101 percent of their time on gridlocked traffic, dirty air, random shootings and riots."

How Congress might react to a resolution to divide California is not clear. Mark Powers, Statham's chief of staff, argues that Congress might be likely to dismiss the request if it came solely from the Legislature. But since it would arrive with the backing of the electorate, Congress would have to be more sympathetic.

Non-California House members might find some advantage to splitting the state because it would split the clout of the huge, 52-strong California House delegation. However, given all of the profound ideological/partisan divisions among California House members, they have seldom been a unified force anyway.

The 100 members of the U.S. Senate are members of the nation's most exclusive club. Would they be sympathetic to extending membership privileges to four add-on's? It seems highly unlikely. However, Senate Republicans might be encouraged to be supportive because they would probably gain two U.S. senators from Northern California, but Central and Southern California could counterbalance this by electing Democrats. Finally, if Congress were to agree to a California split, would this not open the door to divide-the-state movements in states like New York, Washington or Kansas? Would Congress want to open this Pandora's box?

Finally, if California were divided into three states, would the lives of Californians be improved? Statham reassuringly argues that water would continue to flow north to south under a three-state format. "Much of the state's water is controlled by the federal government. The only difference would be that water battles would be fought inter-state rather than intra-state." But, would this reassurance allay southern fears? Statham emphasizes that the state's universities, prisons, retirement systems could all be quickly reassigned in a three-state system. "I would prefer for the UC and CSU systems to stay part of one system administered by a three-state compact. But, if the select committee panel decides to break up the system, we could make sure that no out-of-state payments would have to be made for Californians coming from any of the three parts of California." In any case, sorting out the legal nuances could keep lawyers employed for decades.

While there would be some initial start-up costs for new state office buildings and capitols in Northern and Southern California (central would already have Sacramento), Statham is convinced that this would more than be made up for by the chance to begin anew. As an example, "Whether we're talking about David Gardner's salary or the Department of Education and Bill Honig, the problem of our government is it's too top-heavy. Three new California governments would be cheaper than the 142-year-old layers of bureaucracy we now have. We would get to build from the bottom up."

To his credit, Statham has pushed the idea of division farther along then anyone might have expected. He has made dividing the state a credible issue. He is not Don Quixote tilting at windmills. But he does have a very long way to go.

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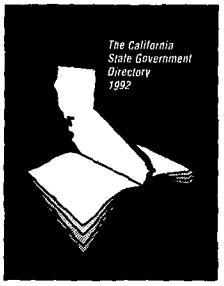

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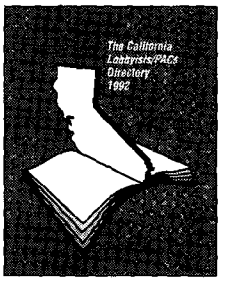

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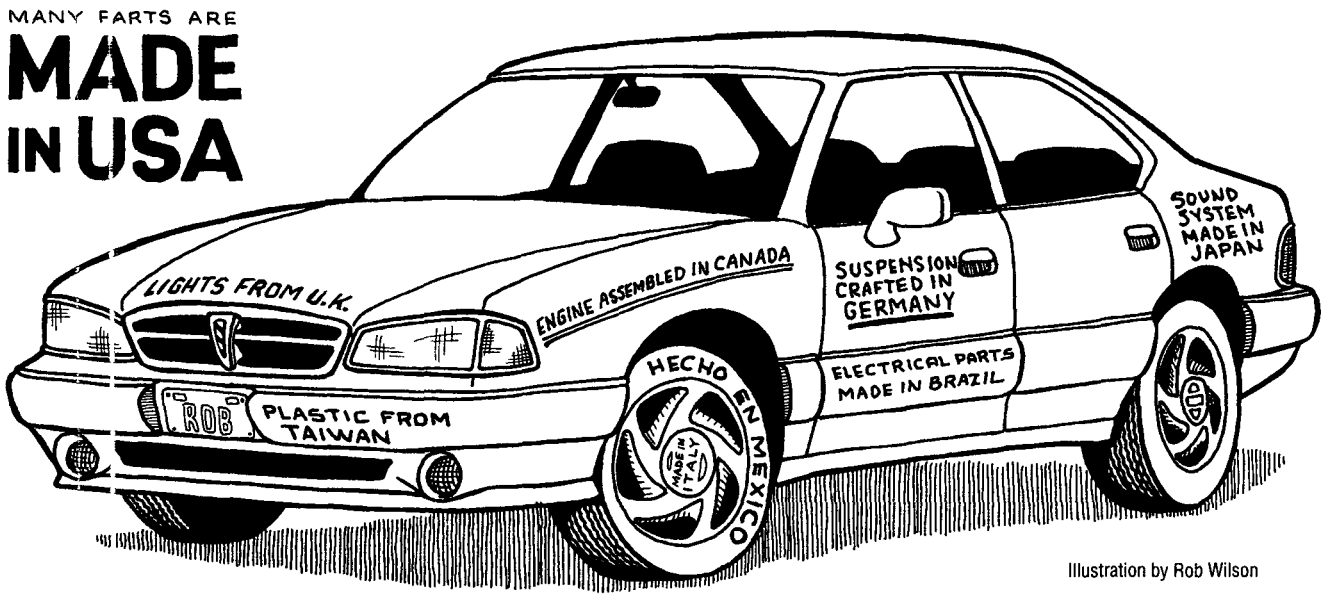

Illustration by Rob Wilson

By Dan Carson

When the Los Angeles County Transportation Commission awarded a $121 million contract for its Green Line railcars to Sumitomo Corporation, rejecting a bid from Idaho-based Morrison-Knudsen, the state Assembly swiftly voted 70-zip for a resolution condemning the transit agency and urging it to "Buy American" instead.

"This is a wonderful bill," declared Republican Assemblyman Stan Statham of Oak Run, during a floor speech last January. "It's American jobs for American workers."

The commission got the message and cancelled its deal with the Japanese manufacturer faster than you could say "*USS Arizona*." But state lawmakers need not have looked beyond their own bureaucratic backyard if they wanted to protest the export of taxpayer dollars overseas. The very same Sumitomo was paid $627,000 during 1989-91 by the California Department of Transportation to figure out how to make California rail cars accessible to the handicapped.

Records show the Sumitomo contract is hardly an isolated case. A Colorado firm was paid $200,000 to provide California mental-health counselors with "conflict management skills training." The Department of Social Services awarded more than $32 million in contracts to a Michigan concern. A $50.4 million contract to build a state prison in Imperial County went to a Nebraska firm. In fact, the Department of Corrections has awarded $470 million to out-of-state firms since 1989, amounting to just over half of what it spent during that time on contracts for construction and inmate services.

And when a $120,000 state contract was let to promote California tourism among the Japanese, the winner was an Arizona company. That contract was awarded by the Department of Commerce — the main state agency charged with promoting California business. The list of lucrative out-of-state deals being compiled by the office of Democratic Assemblyman Phillip Isenberg of Sacramento is sure to become fodder for the upcoming struggle for so-called "Buy America" and "Buy California" bills now advancing in the California Legislature.

Isenberg wants to monitor just how much state government money goes to out-of-state contractors. But his Democratic legislative colleagues and other political figures are sponsoring bills that would go much further, giving home-grown companies a big edge in getting contracts for public works, goods and services and penalizing outsiders who would like to compete for those jobs.

Part of Controller Gray Davis' abortive campaign for U.S. Senate was based on a "California First" platform that

Dan Carson is a staff writer for the Oakland Tribune.

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would tilt the state bank and corporation tax code to shift the tax burden more heavily to non-California firms.

Democratic Assemblyman Steve Peace of Chula Vista would allow individual Californians to get an income-tax credit for buying an American-made car. His Democratic colleague, Assemblyman Richard Katz of Los Angeles, would give U.S. firms a preference in selling buses and rail cars, while Assemblyman Richard Polanco, another Los Angeles Democrat, would extend similar advantages to any project financed with state bonds. State Senator Bill Greene, also of Los Angeles, would slap an outright ban on state or local government purchases of more than $100,000 in goods from any foreign country.

But the "Buy California" debate is mainly focused on a package of bills carried by Peace and state Senator Milton Marks of San Francisco, and bearing the endorsement of Lieutenant Governor Leo McCarthy.

Under these measures, U.S. firms seeking state or local government business would enjoy a 5 percent preference in competitive bidding, and California firms would get a 2 percent edge beyond that. The preference would not increase the amount that the taxpayers would have to pay for a project. But it would, in effect, allow someone other than the lowest bidder to win a government contract. Other provisions would bar the award of public works contracts unless a certain share of its work force was made up of California residents. Under one version, at least half of the jobs would have to be destined for Californians. But another version, backed by McCarthy, specifies that at least 90 percent of the jobs created by taxpayer-funded projects would have to go to U.S. residents and 75 percent to Californians. The bills also include so-called "domestic content" rules requiring more than half of the materials in a product purchased by the government be of U.S. origin. An exception would be allowed if the particular U.S. product was deficient in supply or quality.

Labor leaders have pressed their case before for similar proposals only to have them vetoed into oblivion by former GOP Governor George Deukmejian. And just a year ago, Peace was unable to advance even a watered-down version of his bill through his own Democrat-controlled house. But this year, much more restrictive "Buy California" bills are zipping through both houses with unusual alacrity. Democratic legislative leaders have put them high on their agendas.

Even some Republicans such as Statham are climbing on the "Buy America" bandwagon. Legislative aides and labor leaders attribute the newfound popularity of the bills to the ailing national economy and rising tensions over trade between the United States and Japan. Steve Coony, a Senate Democratic staffer, noted "the reality of the economic climate and the value that's being placed now on every individual job that might be available for Californians. That was not nearly as salient an issue a year ago."

The "Buy California" proposals have given the Democrats a politically potent counter to Republican calls for relaxation of environmental regulations and overhaul of the workers' compensation system. In a Capitol press conference, Senate President pro Tempore David Roberti contended that spending $6 billion in forthcoming bond issues entirely within California would generate 147,000 jobs and $500 million in new state tax receipts.

"Every year Californians pay billions of tax dollars for public construction projects like mass transit, highways, schools, and other kinds of infrastructure," stated McCarthy. "With more than a million Californians unemployed, we have to make sure the tax money we pay here creates jobs here."

Daniel Curtin, a lobbyist for the California State Council of Carpenters, vividly described the toll that contracting with outside is taking on his union members. "You go out to job sites and there's all kinds of out-of-state license plates," he testified during a Senate hearing.

California steel producers say that, absent some form of home-state preference, they cannot compete fairly with non-California intruders.

"As we continue in the depths of the most serious construction downturn California has faced in decades, our ability to successfully bid on public-works projects directly helps us keep from closing our plants," wrote industry lobbyist D.J. Smith.

Forty other U.S. states have some form of in-state contracting restrictions, according to a recent survey conducted by Diane Ravnik, administrator of the Oakland-based Painting and Drywall Work Preservation Fund. The rules run the gamut. Some mandate the purchase of specific domestic products, such as steel, automobiles and clothing. Others give sweeping preferences to all home-state bidders. California now has on its books a weak and rarely utilized law allowing authorities to give the nod to a local firm in the unlikely event of a tie among bidders. Ravnik argues that if other states are going to protect their workers, California should do the same.

Daril Wiley, administrator of the Foundation for Fair Contracting, said the outsiders are more likely to run afoul of California's sophisticated environmental, worker safety and labor regulations.

Owen Marron, executive secretary of the Alameda County Central Labor Council, cited as an example the prolonged controversy in the mid-1980s when a consortium of Oregon companies was awarded a $45 million contract to build an East Bay highway interchange. The firm was eventually thrown off the job because of labor and safety rule violations and it was completed by a local contractor — after delays cost taxpayers an extra $5 million, said Marron.

But the "Buy California" movement is coming under attack from critics who view it as a politically irresistible panacea that does nothing to solve the state's basic economic woes.

In a noted speech to a Sacramento business group, University of California-Berkeley Chancellor Chang-Line Tien derided what he called the "Buy American craze," suggesting that it is rooted in racism and "deep-seated fear" over the economy.

"It would be tragic if we allowed emotions to govern us," said the Chinese-born academician. He said a wiser economic strategy would be for the state to invest heavily in research and development of new technology at California universities.

Ira Goldman, Governor Pete Wilson's special assistant for trade issues, criticizes "Buy California" restrictions as a kind of surrender. "How can you claim to be the best," he asked, "when you limit yourself to playing in the minor leagues? That's what you have with protectionist policies."

Bill Campbell, president of the California Manufacturers Association, fears that a move by California to close

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its doors to foreign competition would give other nations a ready excuse to block the importation of the state's agricultural and high-technology exports. The resulting trade war would increase, not decrease, the ranks of the unemployed, he argued. Critics also claim such laws would create a costly administrative nightmare.

John Lockwood, director of the Department of General Services, contended in a letter to Assemblyman Peace that such a law would undermine existing bid preferences intended to steer state work to veterans, women and minorities. At least 90 percent of the state's business is already going to California firms, and out-of-state firms that manage to get contracts usually rely heavily on California workers, he said. Then there are the hassles involved in sorting out what are "domestic content" products in an era in which some Fords are made in Canada and Hondas in Ohio.

Senate Minority Leader Ken Maddy contended the blizzard of paperwork generated by "local hire" rules would drive even more businesses out of the state. City and county government lobbyists say the rules would diminish competition for government contracts, driving up their cost to taxpayers.

David Mastler, deputy director of the Department of Commerce, said the selection of an Arizona firm to market California as a tourist spot came because his agency had no other choice. Discover the World Marketing, the contractor that got the job, "was the only firm with a subsidiary in Japan," he said.

While the Wilson administration has opposed some of the bills now working their way toward legislative floor votes, the governor has not categorically ruled out his acceptance of some other form of "Buy California" incentives. Legislative aides said Wilson has privately been receptive to enactment of "reciprocity" rules. Under that approach, California would restrict bidding by firms from states that have erected barriers to California bidders.

Ravnik, for one, is convinced that the Sumitomo affair and other "Buy America" controversies will ensure that some form of legislation on the subject passes this session. "I think the time is ripe for something this year," she said.

But whether that new law would survive the likely legal challenge is an open question.

Until 1969 California had a state law, dubbed the "Buy America Act," requiring public-works contracts go only to parties promising to use U.S. supplies. But when Bethlehem Steel went to court to enforce the law against a bidder who planned to use Japanese steel, the California Supreme Court ruled the act an unconstitutional intrusion on the power of the federal government to set policy on international trade. That case, and a subsequent attorney general's opinion ruling a similar "Buy California" law invalid, stand uncontested today.

Thus, the legislation now pending before the Assembly and Senate may very well pend before a court if and when they become laws. That probably won't deter the election-year sloganeering, however.

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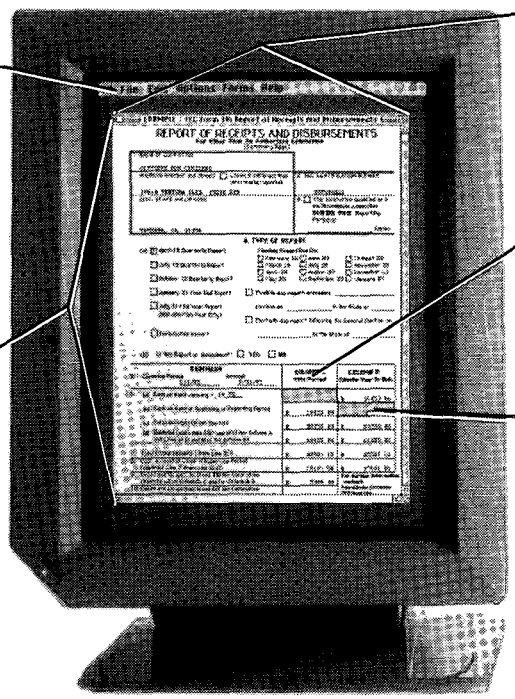
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BALLOT FRONT

A roundup of statewide initiative proposals. All statutes require 384,973 valid signatures; constitutional amendments require 615,958. In parentheses is the deadline for sponsors to submit signatures to county clerks, and the issue of California Journal that contains a full explanation of each measure. Should they qualify, measures currently in circulation would appear on the June 1994 ballot. The full texts of all initiatives may be obtained from the Secretary of State's election division, 1230 J Street, Sacramento CA 95814.

New in circulation:

JUDICIARY. BUDGET — an initiative constitutional amendment, sponsored by Richard Millan of Long Beach, this measure would establish a specified, minimum annual funding for the judicial branch of government (excluding trial courts). This amount could be reduced only with a two-thirds vote of the Legislature, followed by a two-thirds vote of the electorate. (November 30th)

PUBLIC AGENCY EFFICIENCY — an initiative statute, sponsored by Robin Raymond Anderson of San Pedro, this measure requires the Legislature to create an "Efficient Agencies Service" to help public agencies "efficiently carry out the public trust." (November 30th)

COMMITTEE FOR JUSTICE IN WORKER'S COMPENSATION — an initiative constitutional amendment, sponsored by John Debbs of Sacramento, that establishes rights for injured workers under the worker's compensation system, prohibiting termination of benefits except by return to work, agreement of parties or order; providing for biweekly benefit payments, payment of medical care within 30 days, right to physician of choice, continuation of medical insurance benefits, hearing with 30 days of request and decision within 30 days of submission. (November 30th)

Continuing in circulation:

AUTOMOBILE ACCIDENT INSURANCE — an initiative statute, sponsored by GOP Assemblyman Ross Johnson of Fullerton and GOP state Senator Frank Hill of Whittier. (July 17th, April 1992 *CJ*)

EDUCATION — an initiative constitutional amendment, sponsored by GOP Assemblyman Nolan Frizzelle of Fountain Valley. (July 27th, April 1992 *CJ*)

TERM LIMITS FOR CITY, COUNTY AND PUBLIC DISTRICT — an initiative constitutional amendment, sponsored by Tim Patterson of Point Richmond. (August 3rd, June *CJ*)

HEALTH CARE REFERRALS, SERVICES, COSTS — an initiative statute, sponsored by Stanley Kyker of the California Restaurant Association. (August 24th, June *CJ*)

FINES AND BAIL — an initiative statute, sponsored by Norman Bedford of Healdsburg. (August 27th, June *CJ*)

Failed to qualify:

EDUCATION. PARENTAL CHOICE. SCHOLARSHIPS — an initiative constitutional amendment sponsored by Joseph Alibrandi of Los Angeles. (March 1992 *CJ*)

STATE BAR. ELECTED COMMISSIONER. ATTORNEYS — an initiative statute, sponsored by Ronald Price of Tustin. (February 1992 *CJ*)

LIMITATION ON FEES FOR STATE PARKS. ENVIRONMENTAL LICENSE PLATE FEES — an initiative statute, sponsored by Mark Massara of San Francisco and Glen Spain of Comptche. (February 1992 *CJ*)

BALANCED BUDGET. TAXES — an initiative constitutional amendment, sponsored by Lisa Hughes of Coto de Caza. (February 1992 *CJ*)

TAXES. REFERENDUM — an initiative referendum, sponsored by Chris Fellerson of Elk Grove. (February 1992 *CJ*)

GRAFFITI. GANG PREVENTION. SALES TAX — an initiative statute sponsored by Richard Spees of Oakland, Ernie Kell of Long Beach and Ellen Poll of Santa Monica. (March 1992 *CJ*)

EXPERIMENTAL GAMING PROGRAM. COMMISSION — an initiative constitutional amendment sponsored by John Brown of Oxnard and Robert Wilson of Studio City. (March 1992 *CJ*)

WATERSHED AND FOREST PRACTICES — an initiative statute sponsored by Glen Spain of Comptche, Cecelia Lanman of Redway and Gary Ball of Talmage. (March 1992 *CJ*)

STATE HEALTH CARE PLAN — an initiative statute sponsored by Michael Weinstein of Los Angeles. (March 1992 *CJ*)

MINORS. DRIVING AND ALCOHOL — an initiative statute sponsored by Carla Lowe of Carmichael. (March 1992 *CJ*)

ENGLISH LANGUAGE INSTRUCTION — an initiative statute sponsored by Republican state Senator Frank Hill of Whittier and Stanley Diamond of San Francisco. (March 1992 *CJ*)

REASONABLE ATTORNEY'S FEES — an initiative statute, sponsored by Norman Bedford of Healdsburg. (April 1992 *CJ*)

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Qualified for November ballot:

• Proposition 155, School Bond Act of 1992: authored by Democratic state Senator Leroy Greene of Sacramento, it authorizes $900 million in general obligation bonds for the construction, re-construction and modernization of K-12 schools. Voters passed a similar bond act in the June primary.

• Proposition 156, Rail Passenger and Clean Air Bond Act of 1992: authored by Democratic Assemblyman Jim Costa of Fresno, it authorizes $1 billion in general obligation bonds to acquire rights-of-way, make capital expenditures and purchase rolling stock for intercity rail, commuter rail and urban rail transit systems.

• Proposition 157, Toll Highways, termination of tolls: a constitutional amendment authored by Democratic Senator Bill Lockyer of Hayward, it requires that any state-owned toll road or highway leased to a private entity be made toll-free after expiration of the lease, or after 35 years. The Legislature may suspend this requirement with a two-thirds vote.

• Proposition 158, Office of California Analyst: a constitutional amendment authored by Democratic Senator Dan Boatwright of Concord, it creates an independent Office of California Analyst. The office currently exists as the Legislative Analyst, but it is part of the Legislature and, more important, funded through the Legislature's budget. When a 40 percent cut was imposed on legislative spending by Proposition 140 (the term limits initiative of 1990), the Legislative Analyst was placed at risk. This measure breaks the Legislative Analyst away from the Legislature and exempts it from expenditure limits imposed on lawmakers.

• Proposition 159, Auditor General, Joint Legislative Audit Committee: a constitutional amendment authored by Senate Minority Leader Ken Maddy of Fresno, it establishes the Office of the Auditor General to conduct independent, non-partisan, professional audits as required by law or requested by the Legislature. It also exempts the office from expenditure limits imposed on the Legislature and requires that not more than 50 percent of the audit committee by composed of members of the same political party. Currently, the budget for the Auditor General is folded into the Legislature's budget.

• Proposition 160, Property Taxation; veteran's exemption; surviving spouse: a constitutional amendment authored by Republican Assemblyman Jim Brulte of Ontario. Currently a person (or his or her spouse) does not have to pay property tax if the person was disabled because of an injury incurred in military service. This exemption also applies to unmarried surviving spouses. Proposition 160 extends that exemption to the surviving spouse of a person who has died on active duty in military service.

• Proposition 161, Terminal Illness: an initiative statute sponsored by Robert Risley of Pasadena and Allan Briney of Whittier, it permits a mentally competent adult who has been diagnosed as terminally ill to write a revocable directive authorizing his or her doctor to terminate his or her life in a "painless, humane and dignified manner." It also precludes doctors, health professionals and facilities from either civil or criminal liability after following provisions of the directive.

• Proposition 162, Public Employees Retirement Systems: an initiative constitutional amendment, sponsored by Ted Costa and Cliff Haskell of Sacramento, it grants authority over investment decisions, actuarial services and administration of public employees' retirement systems exclusively to a system's board; requires that board to administer the system to assure prompt delivery of benefits; prevents the Legislature from changing the composition and selection methods of the board without the approval of voters in the jurisdiction where the public employees are employed; and provides that the board's duty to participants and beneficiaries takes precedence over any other duty.

• Proposition 163, Taxation of Food Products: an initiative constitutional amendment sponsored by Democratic Assemblyman Dick Floyd of Gardena, it prohibits new sales or use taxes on food products that are exempt from such taxation under existing statutes. It also adds a statute exempting candy, bottled water and snack foods from sales and use taxes imposed by the Legislature in 1991.

• Proposition 164, Term Limits: an initiative statute, sponsored by Anita Anderson of San Francisco. Proposition 140, passed by voters in November 1990, imposed term limits on members of the state Legislature and on all constitutional officers save the insurance commissioner. Now comes Proposition 164 to extend term limits to members of California's congressional delegation, including its two U.S. senators. It does this by banning from the ballot for the House of Representatives any member from a California congressional district who has served in Congress for six or more of the previous 11 years. It bans from the Senate ballot any person who has served 12 of the preceding 17 years in the Senate. Congressional service prior to 1993 would not be counted.

• Proposition 165, Welfare. Budget Process: an initiative constitutional amendment, sponsored by Governor Pete Wilson. The most controversial ballot initiative of the fall campaign, this measure expands the power of the governor, giving him or her the authority to declare a fiscal emergency under specified conditions and to reduce expenditures to balance the budget. The governor would have the power to reduce state employee salaries and to order furloughs. The measure also eliminates or limits the cost-of-living adjustments, or COLAs, in AFDC, SSI/SSP and IHSS welfare programs, reduces AFDC by 10 percent, limits aid for new residents and provides school-attendence incentives.

• Proposition 166, Basic Health Care: an initiative statute sponsored by the California Medical Association, it requires employers to provide basic heath-care coverage for employees and their dependents pursuant to a specified phase-in period; provides that employee contributions not exceed 2 percent of their wages; eliminates duplicate coverage; and specifies the type of health-care benefits, including prescription services. It also creates the Health Care Coverage Commission, with specified membership and duties.

• Proposition 167, State Taxes: an initiative statute sponsored by Lenny Goldberg and Howard Owens of Sacramento, it increases tax rates for maximum personal-income taxpayers and alternative minimum personal-income taxpayers; temporarily suspends indexing on personal income taxes; boosts income-tax rates for corporations and premium tax rates on insurers; and increases the tax liability on banks and corporations doing business within and outside California. It also provides for reappraisal of corporate-owned real property upon a specified change in ownership; imposes a new oil severance tax; and repeals the snack tax and reduction of renter's credit.

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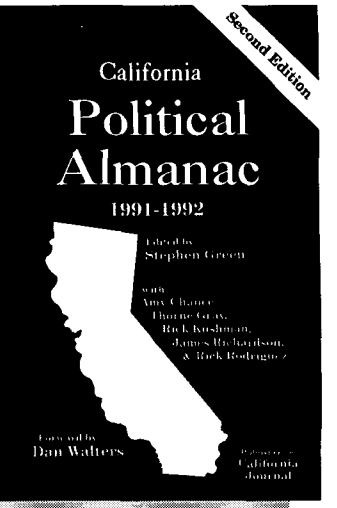

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Mr. Clean goes SPLAT

Ted Lempert came into office as a new voice for ethics reform, but he goes out on a sour note.

By Carolyne Zinko

A day before the June 2nd primary, members of the San Mateo and Santa Clara-San Benito county labor councils met in an emergency meeting to decide whether to repeal an endorsement of Assemblyman Ted Lempert of Redwood City, a Democratic candidate for the 14th Congressional District seat. The issue in question was Lempert's campaign tactics during the week before the primary, specifically two classic hit pieces and a radio attack ad. After a lengthy session, the members of the labor councils voted unanimously to withdraw the endorsement and condemned in strong language what they termed Lempert's unethical conduct.

For someone who had burst onto the political scene in 1988 as an ethics reformist, it was a shocking turnabout, one that might have been crucial in costing Lempert the election, but certainly cost him the reformist, squeaky-clean reputation that he had enjoyed for four years.

Lempert, running on a platform of ethics reform for Congress, had signed a pledge promising to conduct an ethical campaign, and to submit advertisements to a Berkeley ethicist for review — a condition for procuring the joint labor councils' endorsement.

He wasn't the only one to agree to the guidelines. The council also endorsed his main primary opponents, Anna Eshoo and Tom Nolan — San Mateo County supervisors who agreed to the conditions as well. Lempert tried to draw a distinction between his ethics reform proposals for Congress and ethical campaign behavior, saying there was no connection — something his critics and even some of his supporters could not reconcile.

Lempert also defended the ads and campaign pieces as accurate and a fair response to what he termed an opening salvo of negative campaigning by Eshoo.

But Lempert's conduct, which created a whirl of controversy late in the campaign, prompting some people to call Lempert to tell him they were voting for someone else, left him with a troubled political legacy.

Longtime peninsula political activist Richard Silver watched the Lempert campaign with interest to see what would happen with the two-term assemblyman who, in his first try for public office, had upset incumbent Republican Assemblyman Bill Duplissea of San Carlos in 1988.

"I think he got dragged in by his own people. But everything he did, he has to take the rap for it. Does this damage him? He is damaged," Silver said. "These things are like little time bombs that come back and haunt you in the future. Will he recover from it? It depends on his statesmanship."

"I won in San Mateo County," Lempert said, disagreeing with the notion he has been damaged. "I beat two very popular and very strong elected officials. To have won in an area we all had represented shows that I have tremendous support in my political base. What I've fought for in Sacramento and continue to fight for is to eliminate the negative impact of money on the process. To do that, you have to continually point out how money and contributions have become part of politics as usual," Lempert said. "And that's what my campaign pieces in '88 and '92 were aimed at."

Lempert's campaign in the Democratic primary sought to capitalize on his reputation as a reformer, employing the slogan "Restore Faith in Government." He emphasized his accomplishments as a lawmaker, pointing to the package of reforms he authored that included a ban on honoraria, a strict conflict-of-interest code for legislators, a limit of gifts to legislators and prohibitions on legislators from lobbying for special interests immediately after leaving office. He also emphasized how he'd become a force for environmental protections, writing a bill to establish strict rules governing oil spill prevention and response preparedness, among others, and as a force for education by

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Carolyne Zinko covers politics for the Peninsula Times-Tribune.

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leading the fight to ban the institution of Channel One — a commercially operated cable system — in state classrooms.

Lempert's endorsements by the California Teachers' Association and the Sierra Club became mainstays of his campaign literature sent out to the environmentally conscious, highly educated electorate in the district that encompasses Stanford University.

The crown jewel of peninsula politics, the 14th Congressional District in its various incarnations has been a stronghold of liberal Republicans. The district has been represented most of the past 25 years by Pete McCloskey, Ed Zschau and Tom Campbell. Campbell was elected in 1988, defeating Eshoo by a margin of 5 percent.

But after reapportionment, the district went from a voter registration of 44 percent Democratic, 42 percent Republican to 48 percent Democrat, 39 percent Republican — and the result was an eight-candidate Democratic primary, featuring three significant candidates.

As Lempert extolled his virtues, Eshoo portrayed herself as the "best person for the job," pointing to a record of innovation in health-care provisions, and as a woman, the best agent for change. Nolan, for his part, sought to distinguish himself as a leader on Bay Area mass transportation, and, as one of the most prominent gay elected officials in the country, a true political outsider.

Five days before the election, Lempert issued a 60-second radio ad, aired on seven Bay Area radio stations. The ad declared that Eshoo as a San Mateo County supervisor had accepted more than $6000 in campaign contributions from Browning-Ferris Industries, a prominent waste disposal company, then voted repeatedly in favor of a BFI landfill in Apanolio Canyon, a coastside project. According to the ad, "almost half that money came two weeks before a crucial vote — and she wasn't even running for anything."

Eshoo did accept campaign contributions from BFI two years before the 1992 primary campaign, to pay down her 1988 congressional campaign debt. But the project itself was nothing new; for decades, it had been approved by the board of supervisors. In addition, the ad did not make clear that Eshoo was not party to the "crucial" vote in 1990 that decided the fate of the landfill. The vote was taken by the state Regional Water Quality Control Board, of which Eshoo is not a member.

The ad contained several factual errors, which the Lempert campaign acknowledged. Lempert also sent out a mailer attacking Eshoo on the BFI issue.

"The entire guts of his campaign is a lie," Eshoo consultant Cliff Staton told the *Peninsula Times Tribune* at the time. That paper, along with the *San Jose Mercury News*, ran stories on the radio ads, pointing out the inaccuracies. And both papers ran editorials pointing out the irony of Lempert's tactics and sharply criticizing his conduct.

But during the controversy that ensued after the ad was issued, Lempert acknowledged that the wording "a crucial vote" was vague. Lempert campaign consultant Tom Carroll has since acknowledged that the sentence containing the words "a crucial vote" was "a mistake." Both have said that if they had it to do it over again, they would have made the meaning of the ad clearer.

"I didn't write the thing and clearly we should have made it more clear," Lempert said, referring to the radio ad. "We all make mistakes."

He compared his pieces to other last-minute campaign pieces in other primary races, mentioning specifically Barbara Boxer's Senate campaign and Dianne Feinstein's race against John Van de Kamp for governor in 1990.

"I'm sure a number of candidates regret certain things they did. I've told people I'd have done things different in retrospect," Lempert said, noting his campaign was 99 percent positive.

Still, Lempert has defended the ad, saying the premise of the ad was true, and that Eshoo's acceptance of money from BFI is the type of conflict-of-interest he was railing against in his ethics reform proposals for Congress.

"I would have made it clear it wasn't a personal attack on Anna, and made more clear the point of the ad — that is, raising the concern about contributions by a single contributor at the time that contributor's project is being considered," Lempert said.

Lempert said this campaign deserves to be compared favorably to his previous campaigns for the Assembly

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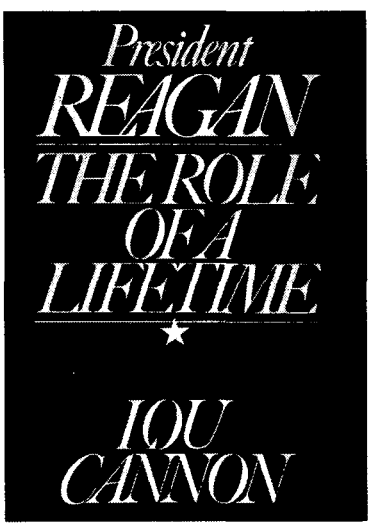

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— the 1988 upset over Duplissea and his re-election in 1990 by a margin of almost two-to-one.

"People overall see the strength of the campaign as being similar to '88 and '90; the grass-roots [support], and in such a short time in Sacramento, being able to achieve in environment and education," Lempert said. "And that's what's important."

Both Lempert and Carroll said they were justified in issuing a hit piece, saying that Eshoo months before had issued a "hit piece" in a mailing to women voters that implied Lempert was part of an "anti-woman power cabal" in Sacramento.

At the request of Lempert, Berkeley ethicist Ron Stief of the Center for Ethics and Economic Policy — the center that had drafted the guidelines for the labor councils on fair campaign practices — reviewed the Eshoo mailing. He ruled the Eshoo mailing was acceptable under the guidelines.

After Lempert's radio ad attacking Eshoo caused complaints among the labor council's members, Rick Sawyer, business manager of the Central Labor Council for Santa Clara-San Benito counties, faxed the text of the radio ad to Stief in Berkeley. It was the Saturday before the Tuesday election. Awaiting Stief's decision, Sawyer called for a joint emergency meeting of the San Mateo and Santa Clara county councils on the Monday before the election.

Stief's decision came in that morning; he said Lempert had violated the code of ethical practices for a clean campaign.

"While the code allows for candidates to be critical of one another's record, it does not allow for scurrilous and capricious attacks," Stief said in a labor council press release.

The labor council members — even those who supported Lempert and already had voted for him by absentee ballot — found the ethicist's ruling sound.

"It was pretty cut and dried," Sawyer said of the council's decision.

"Given the fact I'd had the history of the Lempert complaints and his acknowledgement that the Anna Eshoo piece had done major harm, I had the impression that he was trying to do her harm and was willing to go to certain extents to do that," Sawyer said. "On the personal side, what made it more unfortunate to me was the fact that he had made ethics such a cornerstone of his campaign. One of the unfortunate but real things is that those of us who promote certain things promote a higher standard for ourselves."

The whirl of controversy only grew in the final hours of the campaign, when another Lempert hit piece arrived. This one attacked Eshoo as a consummate insider, apparently in anticipation of an Eshoo hit piece that never materialized. On the back was a comparison chart that misrepresented the endorsements of Eshoo and Nolan, listing for Eshoo only feminist women's rights organizations and for Nolan only gay and lesbian rights groups.

Nolan said he still has not forgiven Lempert for what he considers an attempt to brand him a "gay" candidate and said he has not yet come to the point of "personal forgiveness."

"I will never feel the same about him," said Nolan, noting he's come under personal, homophobic attack in the form of public jeers since the hit piece came out.

"There's only one reason that he felt it important to remind all of 60,000 people [to whom the piece was mailed] that I was gay. And it was not because he thought that would have a flattering or positive response from the citizens," Nolan said.

"That's not true," said Lempert, recalling that he apologized to Nolan for any misunderstanding. "What we were doing is simply what the press were doing throughout the campaign — listing the major competitive endorsements. Of the major competitive endorsements, we won the vast majority. And the major competitive endorsements we didn't get were from the women's groups and the gay groups, which I wanted very much. Regarding the endorsements that Nolan had from labor and businesses, we had a much longer list, and his weren't equivalent endorsements."

Lempert, though he'd criticized Eshoo for being part of "politics as usual," has endorsed her in the general election campaign.

This is supposed to be the year of the political outsider, a campaign year in which Lempert's credentials as a new, fresh, reform-minded politician might have served him well. But it now looks as though his own campaign may have sunk beneath the weight of the kind of as-usual politics he practiced — the kind he might have condemned if practiced by someone else.

Lempert had vowed to out-campaign his opponents with a strong grass-roots organization. What he hadn't counted on was out-campaigning himself.

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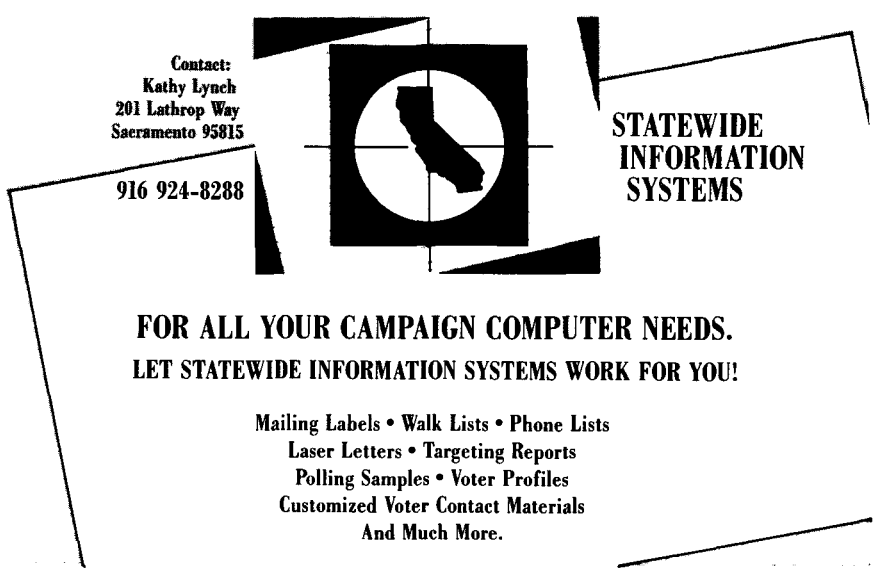

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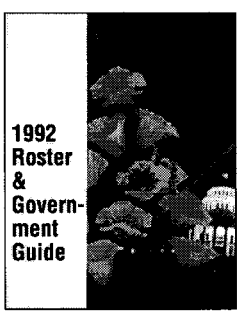

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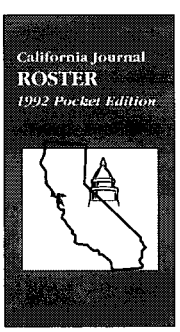

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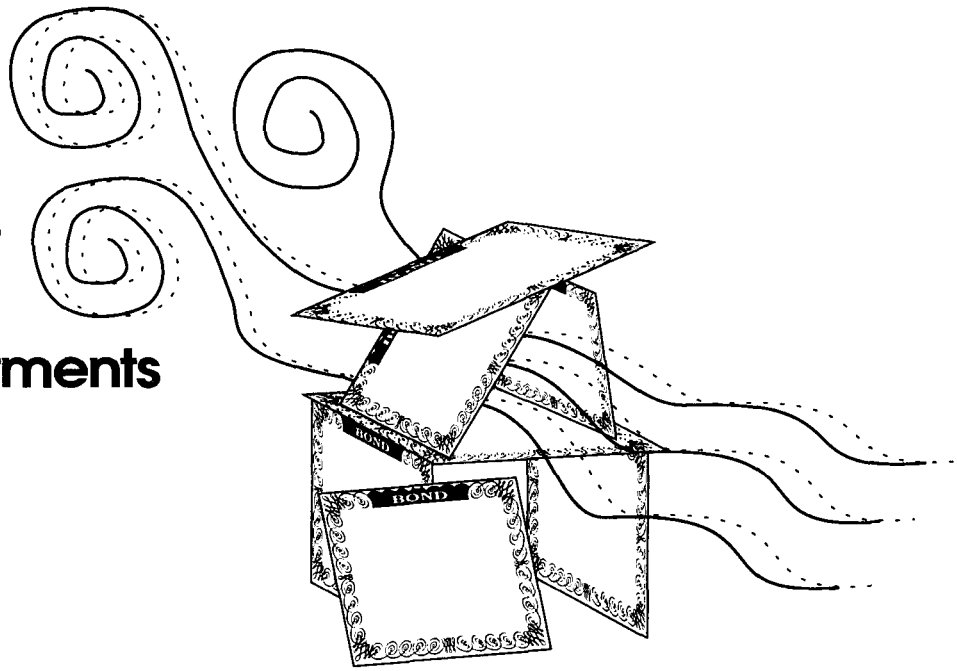
Good COP, bad COP

Some government bonds are no longer good investments



By Debora Vrana

For the past 15 years, Jimmy B has bought all shapes and sizes of California municipal bonds. So when his broker suggested he buy a type of tax-exempt security being sold by the Richmond Unified School District, he didn't consider it risky. After all, it wasn't a deal from a high-flying insurance company or a Wall Street firm pushing the envelope. It was just your average California school district.

But last April, when Richmond Unified filed for bankruptcy and the state stepped in to take fiscal control, Jimmy B discovered he may lose all of his investment. The state now says the bonds he owns — a type of lease debt called "certificates of participation," or "COPs" — are not only invalid but unconstitutional. State Attorney General Dan Lungren will argue just such a point in court, saying that because they may be issued without voter approval, COPs violate Proposition 13. And if the state's view prevails, COPs will be history.

The court ruling will come too late for Jimmy B, however. "I've bought my last California school bond, and it's a tragedy," he said. "I always kept my money in California bonds. I don't know if I will now."

Jimmy B said he purchased "a big chunk" of the $9.8 million Richmond certificate issue, thinking the issuer was a good California credit. "I would like to know how buying bonds from one of the largest school districts in California became a risky investment?" he said.

While one of the worst economic recessions since the Great Depression has forced many Americans to halt spending and attempt to pay off outstanding loans, local governments in California have continued to rack up record levels of debt. Hard pressed to pay for new roads, schools and even basic operating expenses with drastically declining tax revenues, cities, counties and school districts have increasingly turned to various forms of municipal debt.

Deborah Vrana writes for The Bond Buyer.

Once upon a time, municipal bonds were fairly simple. But in California, partly because of property tax limits and other restrictions imposed by the 1978 tax-cutting Proposition 13, new complicated types of bonds have been created. Other types of securities, such as COPs, once sold only occasionaly are being used more frequently for more things.

In most certificates-of-participation financings, the public agency as lessee creates a joint powers authority, or non-profit corporation, usually composed of agency members, to be the lessor. The lessee makes lease payments to the lessor over a period of time. To raise money up front for a project, the agency, through the non-profit, sells tax-exempt certificates based on the expected lease payments. The certificates are divided into increments of $5000 for sale to investors, mostly big bond funds, financial institutions and individual investors. The building or new equipment which is leased back to the public agency by the non-profit corporation. The lease payments are used to pay off outstanding COPs and when the lease is paid off, ownership title of the building or equipment is transferred to the public agency or lessee.

Dating back 50 years, COPs are now the most common type of long-term municipal debt sold by state and local governments in California. While used throughout the country, COPs have seen a sudden boost of popularity in California partly because of record low borrowing rates and partly because of an increasing reliance throughout the state on lease debt.

In 1991 local governments sold $5.1 billion worth of COPs, a jump of nearly 70 percent from the previous year. In the first few months of this year, sales of COPs have continued to outpace other forms of debt, such as general-obligation and revenue bonds. The bulk of all certificates, at least 95 percent, is rated by New York agencies such as Standard & Poor's Corporation and Moody's Investors Service.

The Los Angeles Music Center, the Oakland Coliseum, migrant-worker housing in the Central Valley and 75 new buses for Sacramento Regional Transit District were all paid

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for with COPs. Traditionally used for equipment, COPs increasingly fund public facilities and more creative needs.

What's the big attraction for local governments? Well, for one, this flexible form of lease financing, no matter how large or small, needs no voter approval. Second, under state law, COPs are not considered debt because each year the lease payments are subject to budget approval. This means that taxes cannot be raised to make the interest payments, which are at the discretion of the issuer's willingness and ability to pay. It's almost as if you took out a car loan, and each July, when preparing your budget for the year, you had to decide if you were going to continue the payments.

While the majority of $20 billion of COPs issued are considered solid, the state and others are concerned that as local governments incur more COP debt and as budget problems worsen, more of these securities will be at risk. Just as if you lost your job, it would be more likely you would decide to feed your children and default on the car loan. Others question whether COPs are sound fiscal policy, charging that the COPs sidestep local voters who can only watch as their city or county plunges into increased amounts of long-term debt.

"The alarming growth in COP issuance statewide raises questions about the public accountability of elected officials and the dangers of devoting a larger share of operating budgets toward lease payments," said state Treasurer Kathleen Brown.

Most of the attention on certifications in California centers around a decision by the state-controlled Richmond school district not to budget payments on a $9.8 million certificate issue. While most see Richmond, the 16th largest school district in the state, as an isolated case, the default sent waves of wariness through the municipal bond market.

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This year, the district and the state Department of Education, as co-defendents in a suit filed on behalf of investors, challenged the validity of the certificates. The state has said it will not bail out Richmond in order to discourage other fiscally-strapped school districts tempted to turn lease debt problems over to the state. Officials have called the unrated Richmond certificates "junk bonds," and said investors like Jimmy B, who were rewarded with a higher yield, should have been aware of the risk.

In April, the state sent a clear signal when it said the structure of the Richmond lease and the lack of voter approval rendered it "void and unenforceable."

Rating officials at Standard & Poor's predicted in June that "chances are remote," that the Richmond case will result in an invalidation of all California lease debt. However, market participants are closely watching the various charges and counter-charges stemming from the lawsuit, which could be settled out-of-court.

What is most unusual about the Richmond certificates is not that voters weren't consulted, it was that a long-term debt instrument was used to fund a deficit and to pay operating costs, such as the phone bill. Sold in 1988 the official statement of the Richmond bond issue clearly states that $6.7 million of the issue was being used to "correct general fund budget deficits." The San Francisco law firm of Brown & Wood signed off on the issue as legal. The certificates were sold without a rating.

Under the certificates' terms, a non-profit corporation, called the Richmond Unified School District Financing Corporation, leased out site properties — already owned by the district — back to the district for more than 10 years. The district made lease payments to the trustee, in this case a bank, to pay off the certificates. This leveraging of existing school property to pay off a current deficit is simliar to a person taking out a second mortage on their house to pay off credit card bills and buy food.

State education leaders caution that Richmond's use of certificates to pay operating costs is unusual and that most lease agreements by California schools are strong. Officials predict that even in these times of state education funding cutbacks, schools will find a way to balance budgets and meet existing obligations.

"We think it is important for people to realize the Richmond situation is atypical," said Pat Keegan, director of the fiscal oversight and management division at the state Department of Education. "We have more than 1000 school districts in this state, and in the past several years only a handful have run into trouble. We've got a heck of a lot better record than most small businesses or even larger businesses."

Because of Richmond and school budgetary pressures, last year the Legislature passed AB 1200, by Democratic Assemblywoman Delaine Eastin of Fremont, to give the state more control over school finances. The law allows county superintendents of education to review local school budgets to help the state superintendent of schools develop lists of troubled districts. If a district is certified as troubled it cannot issue debt, including COPs, without permission.

"What happened in Richmond triggered that legislation," said Susie Lange, spokeswoman for the Department of

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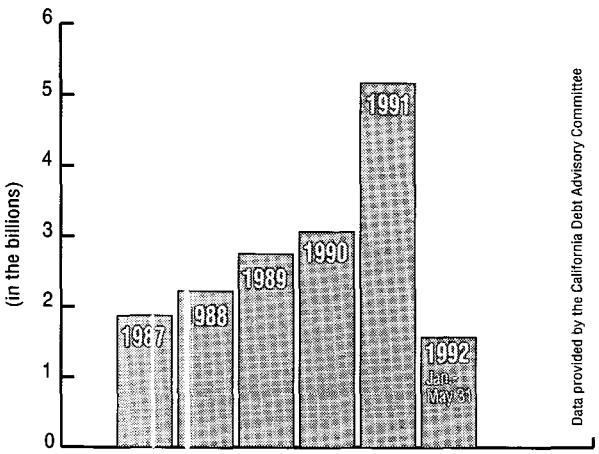
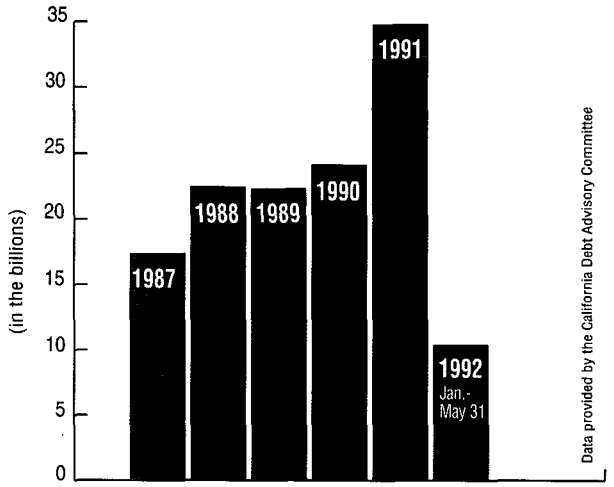
LOCAL SALES OF CERTIFICATES OF PARTICIPATION

The issuance of COPs by local agencies increased nearly 70 percent in 1991 from the previous year. The jump was due to very low interest rates and an increased reliance on lease debt.



CALIFORNIA DEBT INCREASES

Amount of bonds and notes sold annually by state and local governments in California, including schools and special districts.



Education. "We had warned Richmond many times and could only sit and watch as they went into the pit."

Lange said school districts are finding ways to remain "fiscally solvent," sometimes at the expense of educational quality. But others predict that as more districts go into the red, and if the choice is between more layoffs and a lease, the district may be tempted to miss lease payments.

Reports of a general bond market wariness toward California COPs surfaced earlier this year when a Fresno school district had trouble attracting bids for a $35.3 million issue. Financial problems at the district, along with Richmond's default of its COPs, initally spooked some underwriters. This May, the state decided to take action, and Treasurer Brown announced a statewide hearing on COP debt. Just months before she announced the hearing, the treasurer was traveling the country trying to sell investors on California and its bonds. During a stop in Kansas, the treasurer was peppered with questions from an analyst worried about California COPs.

"And I thought if someone in Kansas is worried about California COPs and their credit-worthiness, we better come back and take a look-see at this," Treasurer Brown said.

So, on June 18th the California Debt Advisory Commission, a watch-dog agency headed by the treasurer, held a hearing to discuss the growing issuance of COPs. The group invited public officials and rating, insurance, and bond underwriting specialists to speak. During the four-hour hearing at the Oakland Museum (paid for with COPs), nearly all of the 18 speakers praised COPs and questioned whether any state action which would curb sales of the debt was needed. Only four of the speakers were public officials and only one was a grand jury member. The rest were industry specialists.

"It was a love-in" for certificates, said Bill Rutherford, a vice president for public finance in San Francisco with Rauscher Pierce Refsnes, the firm that underwrote the now-defaulted Richmond issue. Rutherford and others at Rauscher said they could not comment on the Richmond issue because it is in litigation.

Richard Hiscocks, a partner of Orrick, Herrington & Sutcliffe, one of the largest bond-counsel firms in the country, made remarks typical of most at the hearing. He said new legislation to allow public involvement or curbs on COPs is "not needed." He said the leasing law in California "is great and has been great for 50 years."

However, Steve Juarez, executive director for the commission, said his group is concerned enough to draft guidelines which would help a local government distinguish between "a good COP and a bad COP." The commission was expected to hire a consultant to write the guidelines in late June, but state budget delays and the uncertain status of the commission's own funding has put off action until fall. The guidelines could address issues such as project essentiality, annual budget covenants, repayment issues, how much to issue, and the role of voters.

California is not the only state with COP controversy. Many bond underwriters and officials in California were shaken by the public outcry that erupted in Brevard County, Florida, after officials had already sold a $23.9 million COP issue. Elected officials worried about their future job security considered holding an election to ask voters whether they should stop making the lease payments. The county dropped plans for a no-rent vote after Moody's put the county's debt on credit review.

"If you tend to ignore the public, you may later face the wrath of voters," warns Juarez. "And given what happened in Brevard County, you don't want people up in arms after the certificates are sold. We're not suggesting that you submit lease debt to voter approval in every instance, but maybe in a substantial or controversial project, it's appropriate."

A local grand jury in Santa Barbara County concluded this year that voter approval for COPs be mandated and that all COPs for capital improvements be banned. While some charged the report was politically motivated after grand jury foreman Tobe Plough III quit to run for county supervisor (he lost), others said the report points to a need for voters to be more involved. In 1991 Santa Barbara sold $70 million of leases, tripling the amount sold the year before.

While Santa Barbara County auditor-controller Robert Geis charged the report was a "political football" and pointed out that most of the COPs had refinanced other more-costly lease agreements, he said some "good discussions" about debt management had resulted.

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"I wouldn't recommend in a recession for people to go out and do COPs unless you have a very secure source of revenue," to pay off the lease, Geis said. "Maybe it was easier for us to do them than it should have been."

However, Kent Taylor, a county administrator for Santa Barbara, spoke at the June hearing and questioned whether local citizens should be involved in county business affairs, echoing a sentiment of many public officials who feel voters are not savvy enough to understand the complexities of COPs. Others, like Taylor, say elections would cost money and "slow down" COP issuance.

"COPs aren't the most exciting thing to the public," Taylor told members of the commission. "Is this [certificates] the type of grand policy decisions the voters should vote on? And are voters informed enough to make smart business decisions?"

But Arthur Katz is one citizen who wants a voice in the debt-issuance process. Not aware of the events going on in Santa Barbara County, Katz found himself analyzing COP debt as a member of the local grand jury in Nevada County.

"We question some of the things regarding COPs we have seen happen in our county," Katz said.

Specifically, the grand jury concluded that lease financing in Nevada County "bypasses the public" because the non-profit which issues the COP debt is made up of self-appointed civic leaders who are not accountable in any way to the public. The grand jury recommended that the members of the non-profit be elected representatives, such as members of the county board of supervisors.

"My personal view is that there is a bias on the part of public officials who have the office complex," said Katz. "Before they leave they want to see something built, so they look for a device that bypasses the public. More and more, COPs are that tool."

Katz said that voters are not aware that COPs eventually represent additional taxation, because there must be a re-allocation of revenues in the county general fund to make the lease payments.

"COPs are simply a way to gain additional taxation," said Katz. "However you cloak it, it's still a taxation device."

Treasurer Brown has consistently reiterated her support for legislation that would allow general obligation bonds — the safest type of municipal bond — to be approved by a majority of voters instead of the current two-thirds majority. Legislation to achieve that has been consistently defeated in the Legislature.

"Ideally, local governments would rely more on general obligation bonds and less on COPs," Treasurer Brown said. In order to prevent "future Richmonds," she said she supports new guidelines for local governments.

However, none of this helps Jimmy B very much. He says the Richmond default has been politicized by people like state Treasurer Brown and Superintendent of Public Instruction Bill Honig. He calls the situation a "calamity" which has cast a cloud over all California COPs and turned Richmond into a "political football."

"What they don't realize is that one day Richmond is going to have to utilize bond financing again," said Jimmy B. "And who's going to buy them?"

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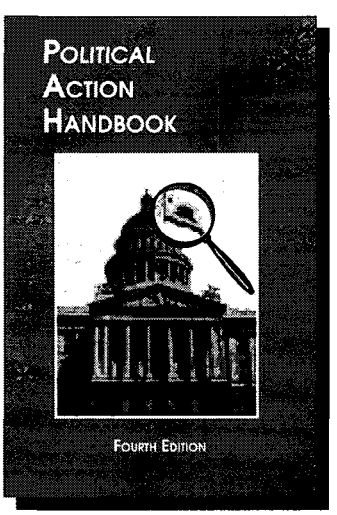

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Running for office? Need media attention?

Change your name to Zsa Zsa !!

By Fred Smoller

In the fall of 1990 I ran for the state Assembly from a district in the heart of Orange County. My opponent, John Lewis, was considered by Sacramento insiders to be one of the Legislature's lesser lights. Given the anti-incumbent mood, I figured a five-term incumbent from the most Republican district in the state might be vulnerable to a challenge from a moderate Democratic college professor.

During the race I became interested in the following question: Did the press provide citizens the information they need to make informed decisions on election day?

Such coverage, it seemed to me, ought to be comprehensive because citizens need to make decisions about all of the races and propostions on the ballot. Moreover, incumbents and challengers should have equal access to voters, and therefore should receive similar levels of coverage. Finally, since choosing leaders and policies is serious business, citizens should be provided useful information for making assessments.

To assess campaign coverage, I coded information about all of the election stories (news stories, editorials, and columns) that appeared in the evening edition of the *Orange County Register* between Labor Day (September 3rd) and Election Day (November 6th) 1990. To establish a benchmark, I also coded coverage of Zsa Zsa Gabor's cop-slapping trial during the same 64-day period during the previous year.

You may remember that Zsa Zsa Gabor went on trial in the fall of 1989 for slapping a Beverly Hills policeman who she said verbally and physically abused her after stopping her Rolls-Royce Corniche convertible. She was charged with misdemeanor battery on a police officer, disobeying a police officer's orders, driving with an expired license, having an open container of alcohol in her car and having an expired car registration. The former Miss Hungary, whose screen credits include "The Girl in the Kremlin," "Picture Mommy Dead," "Arrivederci, Baby!," and "Queen of Outer Space," and whose books include, "How to Catch a Man, How to Keep a Man, and How to Get Rid of a Man," and her autobiography entitled, "My Story: Written for Me by Gerald Frank," is best known for her eight marriages and appearances on the "Hollywood Squares" television show. On several occasions the histrionic Gabor angrily bolted from the courtroom when she heard testimony from her accusers. She said she didn't want to go to jail because "they are all lesbians in jail. And I'm so scared of lesbians. Can you imagine being in jail with all those women!"

By comparing the press coverage the flighty Gabor's trial received with the amount and nature of the coverage of campaign '90, we can see some of the priorities that underlie news judgment decisions.

The contest between Pete Wilson and Dianne Feinstein was the focal point of the *Register's* election '90 coverage. The governor's race received more coverage than all of the other races combined. More than half (57 percent) of the political stories were about the Wilson-Feinstein contest. This works out to slightly more than two stories (news, editorials, or columns) per day for each of the 64 days examined. The other races were either parially covered or ignored altogether.

California's governor shares his power with six constitutional officers (lieutenant governor, attorney general, sec-

illustration by Patty Lyn Tweten

Fred Smoller teaches at Chapman College.

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retary of state, controller, treasurer, insurance commissioner), a Board of Equalization (four members elected separately from different districts), and a superintendent of public schools. Each of these positions is elected directly by the voters, and each — save the lieutenant governor — has significant power and responsibility. But you wouldn't know it based on the amount of coverage they received.

In the race for lieutenant governor, incumbent Democrat Leo McCarthy ran against Republican state Senator Marian Bergeson, who is from Orange County. Though McCarthy was the heavy favorite, Bergeson ran an active, well-financed campaign. Despite its importance, fewer stories were written about this race than were written about Zsa Zsa. A story about the McCarthy-Bergeson race appeared about once every three days.

All the other races for statewide office were pretty much ignored. The same number of stories were written about Zsa Zsa as were written about all of the remaining races for the executive branch combined. Zsa Zsa's trial received three times as much coverage as the attorney general and treasurer races, and 13 times as much coverage as the controller and secretary of state races. Zsa Zsa received five times as much coverage as the race for insurance commissioner, even though millions of dollars were at stake since the insurance commissioner would be in charge of enforcing Proposition 103's rate roll-back provision.

Five Orange County assemblymen and one state senator were also up for re-election. Incumbent Republicans enjoy a nearly two-to-one voter-registration advantage in all but one of the districts, the 72nd, in which Democrats have a narrow registration edge. Zsa Zsa Gabor received more coverage than all of the non-competitive races combined. She also received twice as much coverage as all the races for the U.S. Congress combined, as well as almost twice as much coverage of all the county-wide races. Two stories were written about my race against incumbent John Lewis. This meant that Lewis could say anything he wanted about me in his mailers, such as his claim that I was hand-picked by Willie Brown (never met the man) to run against him, and there was nothing I could do about it.

The one competitive race was the 72nd District, where Republican incumbent Curt Pringle faced Democratic challenger Tom Umberg. Both candidates were well funded in this hotly contested race. Nevertheless, Zsa Zsa still received slightly more coverage. Zsa Zsa received more coverage than any proposition on the ballot, including 140 (term limits) and 128 ("Big Green").

Incumbents have a built-in advantage over challengers because of their ability to attract press attention. Incumbents are able to generate news by introducing headline-grabbing legislation, or by attacking an unpopular federal agency or group. Challengers seldom have such opportunities. Did incumbents receive more space in the paper than their opponents? To find out, I counted the number of times a candidate's name was mentioned in each news story. This measure was used because a large percentage of the campaign stories included references to more than one candidate.

The analysis suggests a qualified "no." Incumbents and challengers of the major parties received similar levels of coverage. For example, Democrat Leo McCarthy, the incumbent, got about the same level of coverage as his Republican challenger, Marian Bergeson. Likewise, in the intensely competitive 72nd Assembly race, Republican incumbent Curt Pringle was covered somewhat more than his Democrat rival (who eventually won), but not much more. More typical is the case of the secretary of state, Board of Equalization, and state Senate races, in which incumbents and challengers were both ignored; this was true for virtually all of the other races. There was, in short, equal access for equal players.

Two exceptions were the governor's race and the race for Congress in the 42nd Congressional District. The governorship, of course, was a vacant office with the retirement of George Deukmejian. Both Feinstein and Wilson were former big city mayors. But while Feinstein was out of work, Wilson was an incumbent U.S. senator, who, throughout the campaign frequently went back to Washington. This may explain why Wilson received somewhat more coverage than Feinstein.

The other interesting case was the congressional race, where incumbent Dana Rohrabacher was being challenged by Democrat Guy Kimbrough. As in the case of all of the other state and federal legislative races in Southern California (with exception of the 72nd), this was not a competitive contest. In this case, however, Rohrabacher received substantially more coverage than his opponent. Actions taken by Rohrbacher seem to be responsible for this difference. During the campaign, the conservative Republican escalated his war against the National Endowment for the Arts by introducing legislation into the House that placed tight controls on the content of works that receive grants from the NEA. Several weeks after his proposal was defeated, an article appeared in *The New Republic* in which a former college roommate of Rohrabacher's said the two of them frequently did LSD together during their college years. This generated a small wave of news stories about Rohrabacher in the *Register*. Little mention of Kimbrough, however, was made.

What about the quality or seriousness of the coverage? The incumbent's record is one source of information that is helpful in predicting future performance. Such information (for example, the number of bills proposed or passed, attendance, and involvement in scandal or other wrongdoing) is easily obtained, summarized and reported, but it rarely found its way into the paper. None of the legislative or congressional races made any independent mention of the incumbent's performance in office.

News organizations are businesses whose survival depends on their ability to turn a profit. They do this by producing a product (well-packaged news) that consumers will buy. The rub, of course, is that the public usually does not demand the type of coverage (i.e., which conforms to the above values) that media analysts feel that the press ought to provide. Thus, media outlets are caught between their obligation to their shareholders and their presumed obligation to the political system. Through their coverage, media outlets position themselves on a metric between the values of democracy (providing information that citizens need to make informed decisions) and the values of capitalism (providing news consumers will buy).

With nothing to fear from the press, incumbents stay quiet and rely on more controlled vehicles (paid advertisements, newsletters, signs, mailers) to get their message out to constituents. Thus, what citizens hear about their representatives tends to be what he or she decides to tell them. Could this be one of the reasons turnover in the Legislature is so low?

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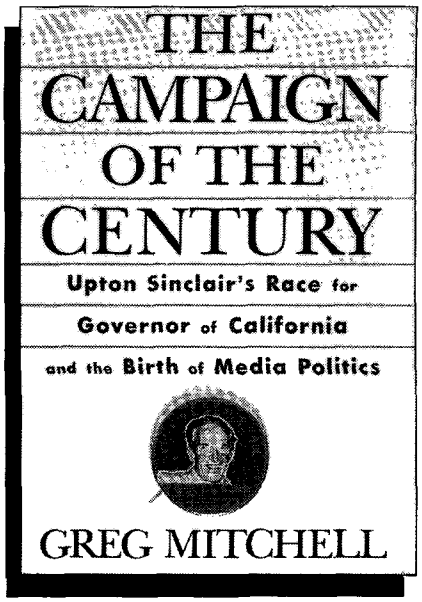
A *California Journal* book review

An epic about EPIC: The dawn of media politics

By Howard Owens



The Campaign of the Century: Upton Sinclair's Race for Governor of California and the Birth of Media Politics, Greg Mitchell, Random House, 1992, $27.50

Three inter-related events saved the California Democratic Party from political oblivion in the early 1930s:

- Blame for the Great Depression was heaped on the Republicans;
- Franklin D. Roosevelt became president; and
- Socialist Upton Sinclair ran for governor.

Sinclair's campaign not only rejuvenated the Democrats, it changed the way politicians use the media. "The Campaign of the Century: Upton Sinclair's Race for Governor of California and the Birth of Media Politics" by Greg Mitchell chronicles the startling events of the organized and efficient way Sinclair's opponents went about crushing him. They used newspapers, whispers, scare tactics and, for the first time, direct mail and film. Sinclair was the first candidate to run against political consultants and media specialists (see "Sinclair vs. Merriam," *CJ,* November 1983).

Mitchell's book opens the day after Sinclair's landslide victory in the Democratic primary. On that day it looked liked November 1934 was going to be Sinclair's month. His "End Poverty in California" (EPIC) plan appealed to hundreds of thousands of voters by promising jobs and housing for everyone. Mitchell then takes readers through a day-by-day recap of how Republicans and some Democrats went about destroying a popular movement.

Sinclair came under attack in the most massive media blitz ever dropped on the electorate. He was an easy target. The 56-year-old muckraking writer, author of "The Jungle," had left plenty of inflammatory quotes around for his opponents to skewer him. He was unapologetic about his socialism, and just about every institution in America had suffered under his scrutiny.

EPIC's opponents didn't care about accuracy or fairness, however. They just cared about winning. When the votes were tabulated after the November 7th election, Sinclair trailed the GOP nominee, Frank Finley Merriam, by 200,000. Sinclair picked up 900,000 votes — twice as many as any previous Democratic gubernatorial candidate. But it wasn't enough to win.

Despite Sinclair's loss, the Democrats did make gains in the Legislature. Culbert Olson and four other EPIC candidates joined the Assembly. Four years later, Olson became governor. Sinclair's running mate, Sheridan Downey, eventually became a U.S. senator.

Sinclair seemed like a savior in 1934. With the coming of the Depression, the Democrats offered citizens a New Deal. Yet progress was slow, and when Sinclair, through his book, "I Governor, and How I Ended Poverty in California," offered an even more radical plan to spread the wealth, he became a political star.

Roosevelt wasn't quite sure what to make of Sinclair. The first-term president needed California's votes in two years, but Sinclair was a little too radical. If Roosevelt came out for Sinclair, it might scare conservative members in Congress away from his reforms.

Support from the ever-popular FDR would have ensured victory, but much to Sinclair's disappointment, FDR's blessing never arrived.

Without serious backing from the Democratic establishment, Sinclair was left to go it alone, and what he faced was a $10 million campaign to stop EPIC. EPIC was a grass-roots organization of political neophytes. It had little money and little experience, but it struggled along on energy and idealism. It's *EPIC News* had two million readers during the campaign. *EPIC News* was just about the only newspaper in the state that reported on the EPIC side of the campaign fairly. Most newspapers — *The Los Angeles Times* and just about every other member of the California Newspaper Publishers Association — consciously distorted Sinclair's views and his EPIC plan. Other distortions were carried out in mail pieces targeted to specific voters, on radio and in movie houses.

Hollywood felt particularly frightened of Sinclair. The movie moguls threatened to shut down their studios if Sinclair won. Irving Thalberg began producing movie trailers that warned of bums hopping freight trains to California to take advantage of an EPIC victory. The studios also forced their stars to turn against Sinclair, which eventually caused a backlash so strong that Hollywood became a bedrock of liberal activism and secured it as a stronghold of the re-energized Democratic Party.

Since 1934 the Democrats have held a registration advantage in California, even though that hasn't always translated into control of the Legislature. The campaign of the century, as presented by Mitchell in clear and meticulous detail, shook up the political order in the state and changed the way campaigns are run across the country.

Now, the only question is where does media politics go from here? We may get the answer in November, if H. Ross Perot reverses course and runs for president, and if the two major political parties find themselves battling against the popularity of yet another outsider.

Howard Owens covers politics and public policy for The Daily Californian *in San Diego County.*

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ROSTRUM

School vouchers

Your article on the school voucher initiative (see *CJ*, June 1992) devotes four or five times as many column inches to the opponents of the measure as it does to proponents, and it totally ignores the growing mountain of data which documents how our public-school monopoly is failing to properly educate our children.

Indeed, the article's subtitle — "Will [vouchers] save or destroy public education?" — displays its bias. That's as if the only thing that mattered was the continued growth of the huge, insatiable public-school bureaucracy. In fact, the real issue, the issue that matters is, "Will vouchers provide more opportunities to more children for quality education?"

Let's focus on producing quality education itself, not on the self-serving opinions of those who have tremendous vested interests in perpetuating the status quo — with, of course, an occasional cosmetic reform or two to keep the public at bay.

MARK WILSON
Davis

Bob Presley

I was amazed to read in your analysis of the June primary results (see *CJ*, July 1992) a reference to Ray Haynes "nearly defeating" Senator Bob Presley in the November 1990 36th District senatorial campaign. By my recollection, Senator Presley beat Mr. Haynes by 54 percent to 46 percent, a pretty sound victory by any yardstick, especially in a district with such high Republican registration. I only wish that all the political campaigns I managed achieved eight-point spreads.

DAVID TOWNSEND
Sacramento

Conservatives and liberals

Your July issue covering the legislative primary races was marred by a disquieting ideological tilt. A miniscule number of candidates were shackled with the dreaded "L" word. Your analysis noted that Barbara Boxer might be too liberal. State Senator Pat Johnston was congratulated as a liberal reformer. But only two other legislative candidates (out of 150) were identified as liberals. Are we to believe that almost all Democratic candidates are in need of an ideological transfusion?

By contrast, 30 candidates are yoked to the conservative harness. Then there is the matter of direction. The term "right" seems to demand constant modification. Right is modified by "hard," "far," "ultra," "very," "most" and "solid." The "L" word, with one exception, stands alone.

Also, you seem to find only "militant" anti-abortion groups but pro-choice "moderates." Religious analysis is invoked exclusively to identify conservative Christians. There are numerous references to candidates who are "fundamentalist Christians." Not one candidate is identified as a Catholic, Jew or atheist. Perhaps advocacy journalism and political correctness have assumed such proportions that editors no longer believe that there is virtue in being even-handed. At least a few of your readers disagree.

JAMES FAY
Professor of political science
CSU-Hayward

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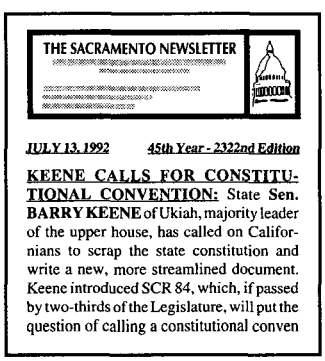
THE SACRAMENTO NEWSLETTER

JULY 13, 1992 45th Year - 2322nd Edition

KEENE CALLS FOR CONSTITUTIONAL CONVENTION: State Sen. **BARRY KEENE** of Ukiah, majority leader of the upper house, has called on Californians to scrap the state constitution and write a new, more streamlined document. Keene introduced SCR 84, which, if passed by two-thirds of the Legislature, will put the question of calling a constitutional conven

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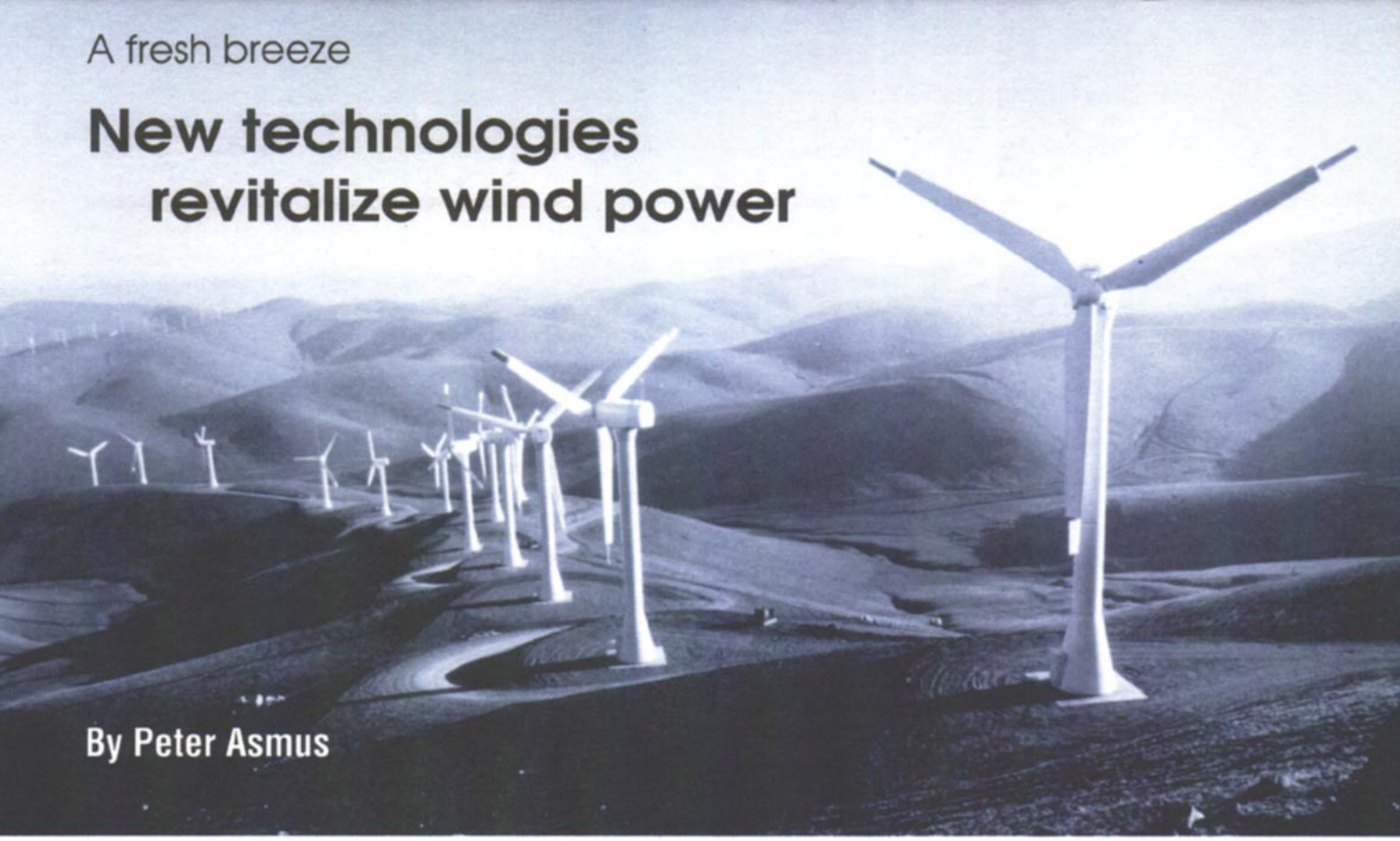
A fresh breeze

New technologies revitalize wind power



By Peter Asmus

Some call them tax farms. Others wonder why the strange contraptions, which look like propellers placed on top of tall metal towers, seldom work.

Despite these common impressions (see "Power from thin air," *CJ*, July 1989), spectacular technological advances are turning wind power into an affordable investment to help clean up California's noxious air. The Sacramento Municipal Utility District (SMUD) is writing the next chapter in this amazing, yet twisted, technology success story.

SMUD's decision to help further development of wind power is part of a larger trend of direct utility involvement in technologies once considered heretic by CEOs too busy building big nuclear reactors. A lack of government support at the national level has led some utilities, including SMUD, to fill the void for renewable sources of energy, like windmills. In the process, utilities are shaping the nation's future renewables supply to fit their own distinct needs.

SMUD chose wind power and other more conventional power plants in a bidding competition designed to fill the demand once served by its Rancho Seco nuclear plant, closed by a vote of the people several years ago. This bidding technique is designed to reduce power supply costs. Competing private firms bid against each other for utility construction and operations contracts.

The cost of wind power, which dropped 50 percent over the last six years, is competitive with traditional nuclear and fossil fuel options today. In a new ranking of technology costs, the California Energy Commission lists wind power as the least-expensive power option available. Today's wind-turbine technology, according to the report, can produce electricity at 6.9 cents per kilowatt hour; the typical gas-fired utility plant bears a 7 cents per kilowatt hour price tag. This calculation spreads costs over the life of a typical power plant.

Wind power has pluses and minuses when compared to natural gas, the preferred fossil fuel of most utilities. The biggest drawback to today's wind turbines is that they only operate when "fuel" — winds over 12 miles per hour — is available. (New models start-up in eight mph winds.) Thus, they may only produce energy for a third of the year. Nevertheless, the power is delivered during summer when California utilities typically need it most and are willing to pay higher prices.

A fossil-fuel plant typically operates nearly year-round, day and night. But these plants pollute; wind plants do not. In an age of increasingly strict air-pollution regulation in California, the advantages of wind are starting to outweigh concerns about its finicky performance.

If SMUD's plan succeeds, Sacramento will enjoy the benefits of 4.5 cents per kilowatt hour wind-generated eletricity. This represents the cheapest wind power price on the planet. Pacific Gas and Electric (PG&E) and other California utilities currently pay roughly 7 cents to 10 cents per kilowatt hour under long-term contracts signed in the late '70s and early '80s; Europeans are preparing to pay as much as 20 cents per kilowatt hour in recognition of the reduced air pollution associated with wind power.

SMUD's low price is the result of combining the benefits of a private firm's technological advances with the unique financing tools available to publicly owned utilities. This marriage between U.S. Windpower, a Livermore, California-based subsidiary of Allstate Insurance, and SMUD could become a model for the nation.

A form of solar energy, wind is simply speeding

Peter Asmus is a freelance writer from Sacramento.

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molecules created by the Earth's daily rotations around the sun. While harnessing of wind power dates back 4000 years, modern turbine rotors are derived from helicopter technology. Rotor blades slow zinging molecules down by a third, capturing kinetic energy. After conversion into a steady flow of electrons, this energy is fed into the utility grid.

Wind farms, which arrange individual wind turbines in rows like crops, harvest fuel that is abundant and free. According to the federal Department of Energy, 37 states have sufficient wind for utility-scale wind farms that could supply well over 20 percent of the nation's electricity needs. California's 16,000 wind turbines provide enough juice for a population the size of San Francisco. This equals 1 percent of the state's electricity, or 80 percent of the world's wind-generated total.

Two obstacles stand in the way of widespread commercialization of wind power: public attitudes and financing. A breakthrough design approved by the SMUD board late last year could help the industry over these hurdles.

SMUD's proposed wind farm is significant because of its unprecedented reliance on local public opinion to choose new power plants. Ratepayer balloting, and numerous public hearings, indicated strong support for a diverse power supply system that included renewables such as wind.

A poll of Sacramento residents conducted in the spring of 1990 also showed that almost half were willing to pay $10 more per month for new renewable power plants. Sixty-eight percent of the 400 locals polled said they would pay $5 more per month, a higher percentage than the state and national populations queried, according to Washington, D.C.-based pollster Sussman & Associates. (The poll was financed, ironically, by LUZ International, a solar company that recently went belly-up.) In contrast, a survey performed by Maryland's Towson State University showed that utility executives still prefer nuclear over wind power by a two-to-one margin. The last utility order for a nuclear power plant that was fulfilled dates to 1973.

A chief concern of Sacramento respondents supporting renewables was air quality. Wind farms are one solution to global and local air quality problems because they displace the need for fossil fuel burning in Sacramento, where poor air quality is a growing concern.

If today's California wind farms did not exist and were replaced by conventional power plants that burn natural gas, approximately 2.5 billion pounds of carbon dioxide would spew into the atmosphere every year. Carbon dioxide is the primary greenhouse gas that contributes to the global warming threat. Another 15 million annual pounds of nitrogen oxides, sulfur dioxides and particulates — key ingredients in acid rain and urban smog — would smoke up the skies as well.

Unfavorable perceptions of wind power are due, in part, to the unusual method employed to develop the technology. At one time, California became a huge laboratory, and some of the industry's biggest lemons continue to litter the landscape. Thus, the experimental failures are very visible, not hidden away in government laboratory basements like most prototypes.

The wind companies operating today were created in part by perks offered by former Governor Jerry Brown in the late '70s and early '80s. The most notorious of these were state tax credits. A California Energy Commission report estimates that state credits raised $770 million for the industry; federal tax credits added another $630 million to the pot. These credits received a mixed review, and both federal and state credits were repealed after revelations of fraud, tax scams and even tragedy. (One inventor was killed by his own whirling machine in the rush to put up the first turbines in 1981.) Nonetheless, a plethora of horizontal and vertical axes, as well as upwind and downwind rotor machines were installed by cantankerous backyard inventors from Texas and shrewd businessmen from Mitsubishi of Japan.

But the state's program sped up development. In just five years, the state's wind program reached the technical progress that typically takes 15 to 30 years in secluded national government labs. Utility research and development scientists and engineers at the Electric Power Research Institute (EPRI) are now bullish on the technology. Ed DeMao, manager of renewable energy programs for EPRI, notes that the use of tax credits was "far more effective than the federal wind R&D program. Though not perfect, the credits helped improve the technology bit by bit."

DeMao observed that the best wind plants perform as expected well over 90 percent of the time.

To put wind subsidies in perspective, consider the following. Federal support for solar and wind, which declined by 80 percent during the Reagan years, was increased to $175 million in the current federal budget. In contrast, the federal Department of Energy has earmarked close to $1 billion for nuclear research and development of health and safety programs for 1992.

All told, the U.S. Congressional Research Bureau reports that 65 percent of the nation's R&D dollars spent between 1984 and 1990, or $32 billion, was earmarked for nuclear power. This compares with 11 percent, or $5.6 billion, for all renewables — including wind — combined. These numbers only scratch at the surface of disparity in governmental aid. A Governmental Accounting Office (GAO) study released in 1989 estimated that subsidies for just the nation's uranium-enrichment program totalled $9.6 billion accrued to nuclear power in 1984 alone.

The principal cost advantage of renewable power plants, such as wind and solar, is that fuels are free. High up-front hardware costs, however, are risky investments in the eyes of most bank loan officers. These factors also led SMUD to choose wind over solar.

The only utility-scale commercial solar power plant developer declared bankruptcy on November 27, 1991. The firm, Los Angeles-based LUZ International, was responsible for over 90 percent of the world's central solar power stations, located primarily in the Mojave Desert. It was the constant uncertainty surrounding federal and state subsidies for the entire renewable energy industry that led to the demise of LUZ.

"Why does solar energy have to live on a year-to-year basis, when oil, gas, coal and nuclear industries have permanent tax incentives as well as large federal research budgets?" asked LUZ chairman Newton Becker at the press conference announcing the company's bankruptcy.

Lending will hopefully get easier for solar and wind power plants once new pollution penalties for fossil-fuel plants or financial incentives for renewables come into play. The California Public Utilities Commission just adopted such

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a program for California's large investor-owned utilites. (In California, municipal utilities are, for the most part, self-governing.)

During this transition to a greener marketplace, locally owned utilities such as SMUD are trying to make a mark as a technology pace setter.

"This is the first time a U.S. utility has committed to own a commercial scale wind project," pointed out Eric Miller, vice president of U.S. Windpower. SMUD's approach "is a major part of our current marketing strategy," since the firm wishes to promote its technology as an "accepted technology for general utility practice."

The importance of SMUD's order is underscored by Miller's view of the salience of federal energy reforms. "The proposed national energy strategy did not improve conditions for wind development," admited Miller. Though the strategy is not irrelevant to his firm's ability to succeed, commitments by utilities to move forward in the absence of leadership in Washington, D.C., will send an even stronger signal to the nation's utility community.

SMUD's proposed wind farm will rely on a new revolutionary turbine. Though it has absorbed over $20 million in development funds — much of it from utilities — it has yet to be installed for a customer. U.S. Windpower is promising SMUD the units will capture 25 percent more energy from the wind than the company's older models now serving PG&E in Altamont Pass, which lies between the eastern part of the San Francisco Bay area and the Central Valley. The new machines, developed with utility R&D experts, may be the wave of the future. The rotor width is three times the size of the company's existing models, and the turbines are also variable speed. In the past, constant-speed turbines were shut off during extremely high winds, reducing overall wind-farm energy production.

New computer software and modern Japanese digital electronics now allow for the capture of extra energy realized from a strong gust of wind. The importance of these U.S. Windpower innovations is dramatized by a simple fact: a doubling of wind speed yields an eight fold-increase in energy.

SMUD's role as a *de facto* leader in technology development is a direct result of a lack of federal energy policy guidance. As a municipal utility, SMUD has access to low-cost money that could reduce the price of wind power by 25 percent. Holders of SMUD's bonds, in this case probably large European banks that specialize in power technologies, can exclude interest payments from gross income reportings. Under this financing scenario SMUD gets cheaper power but still shifts the risk of development to a private party. U.S. Windpower will only get paid by the subsidiary when the machines spin and produce electricity. (U.S. Windpower also has offered SMUD a four-year warranty agreement that includes payments for undelivered power.) This $50 million project would generate electricity equivalent to the needs of 25,000 Sacramento homes.

The wind farm is just one of many included in SMUD's proposed $1.5-billion power-plant portfolio. SMUD claims more renewables, including solar, will likely be developed later this decade after technologies mature.

The overall goal for SMUD is to receive 75 percent of its total energy needs from renewables and conservation by the year 2000. The approved wind farm is SMUD's first tangible step in trying to implement a policy to integrate new renewable fuels into SMUD's system. Last December, the SMUD board endorsed the utility-owned 50-megawatt U.S. Windpower project with one caveat: A five-megawatt demo, which will consist of 17 turbines, will be completed first. If successful, SMUD will move forward with the full 167-turbine order and may even double its size. This demo approach is designed to calm worries about committing SMUD to what, in the eyes of many, is still a strange technology.

Though a utility serving the upper Midwest recently announced plans to develop a wind farm five times the size of SMUD's, U.S. Windpower has a long way to go to convince the majority of utility bosses. A select few utilities, including PG&E, have a vested interest in U.S. Windpower succeeding, however. The utility will earn royalties on sales such as those to SMUD in exchange for past R&D investments.

As an institution owned by Sacramento ratepayers, SMUD does not have the same profit motives driving involvement by the PG&Es of the world in wind. The location of the proposed SMUD wind farm is ideal because of the timing of wind patterns in the Montezuma Hills of Solano County. The wind blows hardest when Sacramentans are switching on the air conditioning for the long, hot summer.

Given the urgency of concern over atmospheric issues — depletion of the ozone layer, global warming — the issue of how renewables are developed is quickly becoming irrelevant. Federal inaction has ensured that those who profit most from tomorrow's energy revolution may well be the same entities who helped create these environmental problems in the first place.

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WASHINGTON PERSPECTIVE

By LARRY LIEBERT

Maxine Waters in Washington

When Maxine Waters served in the state Assembly in Sacramento, her left-leaning politics and fiery style so upset then-Governor George Deukmejian that the conservative Republican took every opportunity to spurn her and her legislation. But he ended up signing her landmark bill forcing the state to divest its holdings in racist South Africa.

"PART OF IT IS WHITE MALES THAT HAVE NOT had to deal with black women in terms of negotiations and power," Waters says.

Waters, now a Democratic member of the House of Representatives, had a sense of *deja vu* when President George Bush held an urgent meeting with members of Congress after the Los Angeles riots. Bush didn't invite Waters even though she represents the swath of Los Angeles that blew up in violence and arson after the Rodney King verdict. But Waters didn't stay home and sulk. She called House Speaker Thomas Foley of Washington and informed him that she was headed for the White House, invitation or not.

Foley passed the word, and an extra chair was added to the table.

"Yeltsin can get an invitation, but I can't," Waters said. "I have to crash the party."

It was a characteristically direct approach by Waters, who after a relatively quiet first year in Congress has been stepping out in 1992. With audacity rare in Washington, the novice member of the House Veterans Affairs Committee publicly denounced long-time committee Chairman Sonny Montgomery, a Mississippi Democrat, for not hiring more racial minorities for the committee staff. "I just don't worry what Sonny can do to me," she shrugged. "Let Sonny worry about what I can do to him."

When the verdicts in the Rodney King case were followed by rioting in her district, Waters emphasized poverty and hopelessness as the root causes of what she calls "the rebellion," to the consternation of some who saw her as rationalizing lawlessness.

"There were bad elements that took advantage of the situation, but at the same time there were genuinely frustrated, alienated people who involved themselves in activities that many of them thought they'd never involve themselves in," she says. "I likened it to leaving the keys in a car and making a crook out of a kid who never intended to steal a car."

Waters also has made herself a player in the year's presidential politics. In 1984 and 1988 Waters was one of the more militant advisers to Jesse Jackson in his insurgent presidential candidacies. But early this year, the 53-year-old congresswoman — who is as savvy and pragmatic as she is liberal and passionate — signed on as a supporter and adviser to Bill Clinton's avowedly centrist campaign for president. As a regular participant in the campaign high command's daily cross-country conference calls, Waters has become one of the leading blacks and women in the Clinton campaign.

"I recognized from the moment that I embraced this campaign that it was not my ideal, and there would be positions that would be taken that I would not embrace," Waters said in an interview at the Capitol before the Democratic convention. "I never promised anybody that I would change my positions. They didn't promise me they would change their positions. I do have an opportunity to talk with people about things I see, that I like and don't like."

One thing Waters did not like was Clinton's decision in June to attack Sister Souljah, the racially confrontational black rap singer, and to do so at a conference of Jackson's Rainbow Coalition.

"I was not consulted on it, and I indicated I should have been called. If [Clinton] was making a speech to the Rainbow Coalition, who better should have been called than me?" asked Waters, referring to her past associations with Jackson.

"Obviously," said Waters, her full voice rising in indignation as it does so often and so effortlessly, "it appears that my candidate believes that he has significant black support and that black support is mainline support and not represented by black groups, and that he has to go for disaffected white voters that could go either way. Obviously, that's what that strategy was about.

"You can get too slick and too manipulative and then you start to lose the black vote," she said. "I will not stay around if that becomes the key strategy of the campaign. I'll walk."

She acknowledges that Jackson is uneasy with the role that she is playing this year in Clinton's campaign.

"I think that it is not comfortable for Reverend Jackson not to be running for president right now when maybe this may have been his best time," she said. "I think that to the degree that people who were very close to him end up making decisions that take them into the court of other presidential candidates, that it's not easy to digest. He understands it, but he wishes that it did not have to be."

Born one of 13 children in a St. Louis ghetto, Waters moved to California with her first husband and two children. Waters' second husband, Sidney Williams, is a former professional football player who sells Mercedes-Benzes. She won an upset election to the state Assembly in 1976, beating the legislative leadership's hand-picked candidate in the Democratic primary.

WATERS SEEMS TO REJOICE IN HER OWN self-confidence and even in her storehouse of anger. "I know the tough issues," she said buoyantly. "I may not like the response, but I never give up. I'll never stop. I'll never quit. I don't go away. This is what do. I fight tough issues."

Almost as an after thought, Waters the pragmatist added, "I take what I can get."

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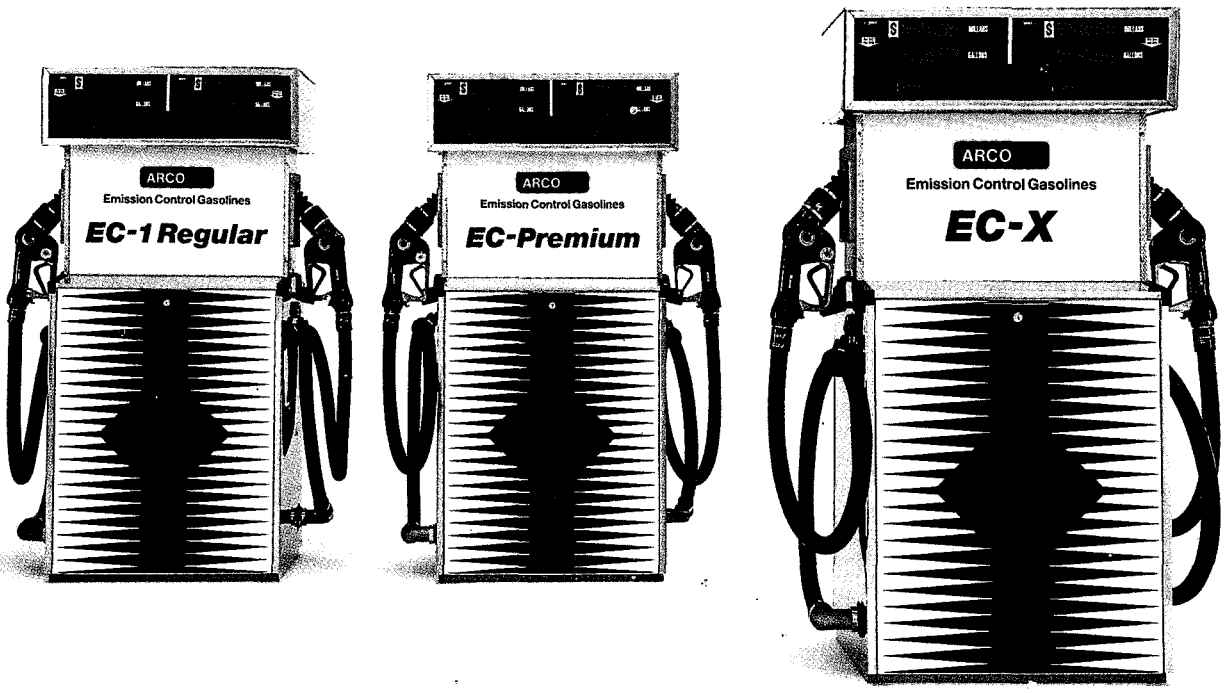

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